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Our Ref

Your Ref

Date: 1 July 2020

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be a **Virtual Committee**, held via Microsoft Teams on **Thursday, 02 July 2020 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Angliss (Vice-Chairman) and Councillors Mrs. Brown, Fitzpatrick, Ford, MacPherson and Roberts

Labour Group

Councillors Dr. Pearson, Rhind, Richards, Southerd and Taylor

AGENDA

Open to Public and Press

- | | | |
|-----------|---|----------------|
| 1 | Apologies and to note any Substitutes appointed for the Meeting. | |
| 2 | To note any declarations of interest arising from any items on the Agenda | |
| 3 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 4 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 5 | Reports of Overview and Scrutiny Committee | |
| 6 | CORONAVIRUS (COVID-19) FINANCIAL IMPACT | 4 - 26 |
| 7 | REVENUE FINANCIAL MONITORING 2019-20 | 27 - 43 |
| 8 | CAPITAL FINANCIAL MONITORING 2019-20 | 44 - 50 |
| 9 | TREASURY MANAGEMENT UPDATE 2019-20 | 51 - 63 |
| 10 | HOMELESSNESS - ROUGH SLEEPING | 64 - 76 |
| 11 | COMMITTEE WORK PROGRAMME | 77 - 83 |

Exclusion of the Public and Press:

- 12** The Chairman may therefore move:-
- That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the

paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

- 13** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

Details

- 14** LAND IN SWADLINCOTE

- 15** DIRECT PROVISION OF DOMESTIC ABUSE SERVICES AND
ASSOCIATED EXEMPTION FROM CONTRACT PROCEDURE RULES

- 16** STRUCTURAL REVIEW ENVIRONMENTAL SERVICES

REPORT TO:	FINANCE and MANAGEMENT COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	2nd JULY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@southderbyshire.gov.uk	DOC: h/KS/covid19/coronavirus committee update 2020
SUBJECT:	CORONAVIRUS (COVID-19) FINANCIAL IMPACT	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the financial impact of Covid-19 and deployment of Government Funding as detailed in the report is noted.
- 1.2 That criteria and process for utilising the Covid-19 funding allocation as detailed in the report is approved.
- 1.3 That a Council Tax Discount of up to £300 is awarded to working-age claimants eligible for Local Council Tax Support in 2020/21 and that the cost is funded from the Government's Hardship Fund as detailed in the report.
- 1.4 That the Council's Section 13(a) Discretionary Policy under the Local Government Finance Act 1992 as detailed in **Appendix 1**, to provide support to households and residents facing significant financial hardship, is approved.
- 1.5 That the proposal to review the current Local Council Tax Support Scheme in 2020 is deferred until 2021.
- 1.6 That further reports are brought back to the Committee to provide an update on the financial situation and to assess the longer-term impact of Covid-19 as it emerges.
- 1.7 That an initial assessment is made to ascertain the impact on the Council's Base Budget and Medium-Term Financial Plans.

2.0 Purpose of the Report

- 2.1 To provide an update regarding the financial implications on the Council emerging from the Coronavirus Pandemic.
- 2.2 This includes an overview of additional Government funding and how it has been utilised, an initial assessment on the Council's financial plans arising from additional expenditure and a reduction in income, together with proposed changes to Policies in Revenues and Benefits.

3.0 Executive Summary

- 3.1 The Coronavirus Pandemic and the Government's lockdown in March, have affected the District, although the Council has received significant funding from the Government to support local businesses, households and residents.
- 3.2 The Council received more than £18 million from the Government to support local businesses in the form of additional rate reliefs and cash grants, which have been credited to, or paid out directly to, eligible businesses in the District.
- 3.3 In addition, the Government have paid the Council approximately £600,000 to act as a Hardship Fund to support residents with their Council Tax, who have faced financial hardship due the crisis.
- 3.4 This will allow the Council to reduce the Council Tax of approximately 3,000 residents for 2020/21 up to a maximum of £300 per household.
- 3.5 The crisis has also directly affected the Council's finances through additional expenditure to enable the Council to respond to the lockdown and a loss of expected income across Council services, compared to that budgeted.
- 3.6 Although detailed figures are still emerging at this stage, it is likely that the Council will have enough reserves to act as a buffer in the short-term. This can be supplemented from a general Government grant of approximately £1.1 million to support spending pressures at the Council's discretion.
- 3.7 However, the longer-term effect on the Council's financial position is still to emerge. It is considered that this will depend on two main factors:
 - The longer-term effect of people's ability to pay Council Tax and Business Rates beyond the initial lockdown period.
 - The knock-on effects on the national and local economies and how this may affect future funding settlements for local government.
- 3.8 The second factor is already a key financial risk to the Council, given the outstanding Fair Funding Review and future changes to the funding of local authorities from 2021.
- 3.9 It has been confirmed by the Government that the Fair Funding Review will be delayed by a further year to 2022. In the meantime, the Government intend to consult with local authorities later in the year regarding the details of the Local Government Financial Settlement for 2021/22.

4.0 Detail

- 4.1 The Government's Budget on 11 March 2020, set out its plan to protect the Economy from the emerging (at that time) Coronavirus crisis. Following the Government's lockdown on 23 March in response to the spread of Covid-19, they announced a range of further financial measures to protect businesses, employees and the general population.
- 4.2 Subsequently, several funding streams were allocated to local authorities. Specific funding allocations provided to the Council and how these have been deployed, are detailed in the following sections.

Support for Local Businesses

Business Rate Reliefs 2020/21

- 4.3 Firstly, the Council received £1.2 million to reimburse councils for the loss of income arising from various rate reliefs and discounts previously awarded by the Government. These reliefs related specifically to the retail sector, together with small businesses with a Rateable Value (RV) of less than £12,500.
- 4.4 Normally, these reliefs would be paid on account during the year, but to recognise potential cash flow problems for local authorities, it was paid upfront, in total, as a lump sum.
- 4.5 It should be noted that this was not new funding, as it had already been announced by the Government last autumn and was included in the Council's Budget for 2020/21.

Business Rates: Retail Discount

- 4.6 The 50% discount that had been granted in previous years, was increased to 100% for 2020/21. This discount was also extended to include all businesses in the retail sector regardless of size, and brought in the leisure/hospitality sector, estate/letting agents, together with non-local authority providers of childcare, i.e. nurseries.
- 4.7 This will support an additional 630 businesses in the District at a value of approximately £2.4 million.

Business Rates: Discount for Pubs

- 4.8 The current scheme that had granted a discount of £1,000 in 2019/20 to pubs with a RV of less than £100,000, was increased to a discount of £5,000 in 2020/21. However, this has now been replaced with the Extended Retail Relief scheme (as above) to give 100% relief for business rates.

No Additional Cost to the Council

- 4.9 It should be noted that these reliefs and discounts awarded by the Government are paid for nationally and the loss of income is reimbursed to local authorities as part of the local government funding system.
- 4.10 In addition, the Government also paid local authorities "*new burdens funding*" to administer the various relief and discount schemes. The Council received £15,000, and it is expected that a proportion of this will be paid to the software supplier to make the necessary system changes.

Cash Grants for Businesses

- 4.11 The Government provided further support to businesses through cash grants which were administered by local authorities. As part of a £12.3 billion national pot, the Council received £15.2 million for distribution to local businesses in South Derbyshire.
- 4.12 The eligibility criteria for the grants was:

- Businesses receiving Small Business or Rural Rates Relief received a grant of £10,000.
- Businesses in the retail, hospitality and leisure sectors received a grant of **£10,000**, where their RV is less than £15,000 or a grant of **£25,000** where their RV is between £15,000 and £51,000 (*any business with a RV above £51,000 did not receive a grant*).

4.13 To-date, this funding has been paid out to 1,120 businesses with a value of approximately £13.2 million. Known eligible businesses who are still to claim have been contacted. Currently, it is estimated that the Council will eventually pay out approximately £15 million.

4.14 On 1 May, in response to feedback from local authorities, the Government extended the scheme to support other small businesses who were outside the original eligibility criteria.

4.15 The Government announced a limit of 5% of the original allocation of £15.2 million to fund a discretionary scheme, firstly utilising any underspend from the original allocation and claiming any additional amount from the Government. This gave the Council approximately £700,000 for the discretionary scheme.

4.16 The Government identified the following micro/small businesses as priority for the scheme.

- Those in shared spaces who are not the ratepayer.
- Regular market traders
- Small charities
- Bed and breakfast establishments that pay Council Tax (and not Business Rates)
- Any other business type based on local economic need.

4.17 The main criteria were that the business must employ less than 50 people and be able to demonstrate that they had a significant income drop due to Covid-19.

4.18 This scheme is subject to an application process and the Council has received approximately 90 applications for support which are now being processed.

4.19 Should all the funding not be utilised in the first round of applications, it is possible that the Council may reopen the application process and widen the criteria for applications.

Reopening High Streets Safely Fund

4.20 On 1 June, the Government announced further grant funding to support the safe reopening of high streets and other commercial areas. The money allows local authorities to put in place additional measures to establish a safe trading environment.

- 4.21 The funding is being drawn down by the Government from the European Regional Development Fund and the Council has been awarded up to a maximum of £95,419, which is available to 31 March 2021.
- 4.22 The money is aimed at funding additional costs incurred by the Council of communications, information, signage and works associated with putting in place safe distancing measures, etc. The funding is not aimed at providing additional support for individual businesses.
- 4.23 To-date, a small amount of money (£3,000) has been expended on town centre signage with plans for further spending under review.

Council Tax Support

- 4.24 On 11 March, the Government announced that it was providing councils in England with a share of a £500 million Hardship Fund to be used to support economically vulnerable people and households in their local area. The Council received £606,000 of this funding, all of which much be spent locally to help residents and households facing potential hardship.
- 4.25 The Government's expectation was that most of this funding would be used to provide Council Tax relief, alongside existing Council Tax support schemes. The Government stipulated that councils provide a minimum of £150 to further reduce the Council Tax bills of all working-age claimants who receive Local Council Tax Support (LCTS) in 2020/21.
- 4.26 Whether residents have been directly or indirectly affected by Covid-19, does not affect their eligibility if they receive support through the LCTS Scheme.
- 4.27 As the Council's LCTS Scheme already offers a significant level of support to low income households relative to other areas, the award of a further £150 to all working-age claimants in the Scheme, will cost £228,000 from the available £606,000. Many claimants pay much less than £150 in any case, so their bill will be reduced to zero for 2020/21.
- 4.28 Whilst the Government stipulated a minimum award of £150, it did not stipulate a maximum amount that can be awarded and gave councils the flexibility to set a higher award and to use other methods to distribute any remaining funding.

Expanding the Scheme

- 4.29 As at 1 April 2020, there were just over 2,800 claimants in the Council's LCTS Scheme. The Government's expectation is that these households are supported as much as possible in the current circumstances.
- 4.30 Due to the amount of funding available, the Council can reduce the Council Tax by up to £300 for all these claimants for 2020/21. This would cost approximately £351,000 and is therefore affordable with the allocation of £606,000.
- 4.31 This would then leave an amount of just over £250,000. It is proposed that this amount is set-aside and used during the remainder of 2020/21 to support other households and residents as detailed below

Meeting the Cost of New Claims

- 4.32 Since April, the number of claimants had increased from 2,800 to just over 3,000 by 21 June. Based on the current trajectory, the number of claimants could increase further during the remainder of the year.
- 4.33 Depending on people's protection from furlough schemes and other support in the longer-term, the worst-case scenario at this stage is for a total cost of £1/2m, although this would still be below the total allocation of £606,000.

Extend the Council's Discretionary Powers

- 4.34 Under Section 13a of the Local Government Finance Act 1992, the Council can write off Council Tax arrears where residents are suffering significant hardship but have not been eligible for LCTS. This can be made available not only to working-age claimants, but also to claimants of a pensionable age.
- 4.35 Under legislation, the Council has an established Policy under Section 13a and has previously used it in exceptional circumstances. The Policy sets out pre-determined criteria to assess "significant hardship".
- 4.36 Section 13a is a last resort for a Council Taxpayer and can only be used after all other exemptions and discounts have been exhausted.
- 4.37 In addition, the Council could also write-off Council Tax arrears in relation to house moves/new tenancies that have been unable to progress for reasons outside the individual's control and where real hardship has been encountered.
- 4.38 This is particularly pertinent in relation to Covid-19, given the Government has advised against house moves. It is also pertinent to "*force majeure*" events and natural disasters, such as flooding.
- 4.39 The Council's usual approach is to allow homeowners to pay any outstanding Council Tax from the proceeds of the sale of the home, but where private tenants are concerned, often real hardship can occur.
- 4.40 During 2020/2021, the Hardship Fund could be used to fund Council Tax write-offs in this respect, where Covid-19 can be demonstrated to be an underlying issue that has prevented a move in/out and where real hardship has been encountered.
- 4.41 If an extension of the Council's Discretionary Powers under Section 13a as detailed above is approved, the Council's Policy will need to be amended. A draft Policy is to reflect all the proposals above, is detailed in **Appendix 1**.

Changing the Basis of the LCTS Scheme

- 4.42 As previously reported to the Council, it had been planned to review the basis of the Scheme in 2020 with a view to implementing a new Scheme from April 2021. This was due to the impact of Universal Credit, together with upgrades to the Council's software to a cloud-based system, which will provide opportunities for more efficient processing and a simpler Scheme.
- 4.43 However, the implementation of the Hardship Fund has meant that software suppliers has been required to develop system changes to meet the processing

requirements for local schemes. These have taken longer than anticipated to implement and has affected all authorities.

- 4.44 Consequently, the work required to move to a cloud-based system has been delayed until the autumn. This will not allow adequate time to test a new LCTS and meet the timetable required for options to be reported and considered, consulted upon and then agreed by Full Council ahead of March 2021.
- 4.45 Therefore, it is proposed to delay the review of a new LCTS Scheme until 2021 and the implementation of the revised scheme to 2022.

Recovery Action

- 4.46 In line with many authorities across the Country, the Council relaxed recovery, in the form of final demands and enforcement, of Council Tax arrears and Housing Benefit overpayments. This was applied in April and has been subject to monthly review, but it is currently planned to gradually re-introduce full recovery from July.
- 4.47 The Council has been approached by many residents regarding a Council Tax “holiday”. This has not been universally applied and has been considered on a case-by-case basis.
- 4.48 Where residents have been furloughed for example and pay their Council Tax by the standard 10 monthly instalments, their payments have been reprofiled to commence in June rather than April. This spreads the 10 payments over the remainder of the financial year to March 2021.

Universal Credit (UC) and Housing Rents

- 4.49 Between January and March 2020, there were 80 new claims for UC amongst Council Tenants. During the lockdown period (25 March to 12 June) there were 116 new claims, the total number of tenants in receipt of UC is currently 575 (about 20% of all tenants).
- 4.50 As at 15 June 2020, rent arrears totalled just under £400,000, which is an increase from £265,000 at the same period in 2019. Arrears have gradually increased over the last year as more tenants have transferred to UC. The impact on the HRA, through the Provision for Bad Debts, will be reflected in the Housing Revenue Account's (HRA) Budget Out-turn for 2019/20. This will be reported to the Committee in July.

The Council's Income and Expenditure

General Funding for Covid-19

- 4.51 As part of a national funding package of £3.2 billion allocated across all local authorities in two tranches, the Council received approximately £1.1 million. Although the Government indicated that it expected this funding to be directed to dealing with additional costs of social care and homelessness, it is not ring-fenced and was intended to help councils address pressures on their services relating to C19, depending on local circumstances at the Council's discretion.

- 4.52 Except for a payment of £10,000 (see below) none of this funding has been specifically deployed, pending the extent of additional costs and loss of income detailed later in the report. This is being kept under review.
- 4.53 The payment of £10,000 was made to the Dame Catherine Harpur's School which provides a vital service to local families and children with special educational needs and disabilities, who did not qualify for a Business Grant. Due to exceptional circumstances, the payment was made in lieu of the Business Grant in accordance with emergency decision-making powers contained in the Coronavirus Act 2020 relating to economic or community-based need for support.
- 4.54 Parish Councils across the Country have been informed separately by the Government that this funding has been distributed to principal authorities and it is available to help meet additional community-based costs. However, this is at the discretion of the Council.

Utilising the Funding

- 4.55 As highlighted above, there have been no firm proposals or requests on how this funding is utilised. As detailed later in the report, the Council is likely to incur some short-term negative effects on its Budget because of C19. Therefore, it is recommended that a sum of £500,000 is set-aside as a contingency to cover additional costs and a reduction in income.
- 4.56 Some local organisations have tentatively approached the Council for financial support and others may emerge. In addition, some businesses and individuals may not benefit from other funding, as they simply fall outside of the eligibility criteria. However, in all these cases, there may be an economic or community-based case for providing support.
- 4.57 Therefore, it is recommended that any requests are considered on a case by case basis in accordance with the following criteria.
- The support is limited to small institutions, businesses and other local community-based organisations.
 - A loss of income or additional expenditure due to C19 is explicitly demonstrated.
 - That a financial contribution will support the local community or protect the local economy.
 - That the amount of support is capped at a maximum of £10,000 per request and is awarded on a purely one-off basis.
 - That an initial budget allocation of £100,000 is set-aside to meet all requests.
 - That the decision to award financial support is delegated to the Chairman of the Committee upon receiving advice from the Section 151 Officer.
 - That any proposed changes to the above criteria are brought back to the Committee for consideration.

- 4.58 It is not clear whether the Government will clawback any unspent money, although they are asking all authorities to account for how the funding is being utilised. Clearly, the situation could change during the year and it will be kept under review with regular updates provided to the Committee.

The Council's Services

- 4.59 An initial assessment has been made on additional expenditure and loss of income arising from C19. Detailed estimates are still being assessed, but the table below details the areas coming under pressure.

Collection of Business Rates	<p>Most small to medium sized businesses are being supported in some way, as detailed earlier in the report. However, during the first quarter of the financial year, cash payments were approximately 15% down on the equivalent period in the previous year; this equates to around £450,000. Losses are not immediately felt in the General Fund as Business Rates are accounted for in the Collection Fund, with any surplus or deficit being shared with the County Council and the Government; the Council's share is 50%.</p> <p>In addition, as part of the Derbyshire Business Rates Pool, there is a risk that business failures in other parts of the County could affect the income into the County Pool. Without a safety net in place, this could affect the income of the Council if it is required to contribute to losses elsewhere.</p>
Collection of Council Tax	<p>During the first quarter of the financial year, cash payments were approximately 2% down on the equivalent period in the previous year; this equates to around £390,000.</p> <p>Like Business Rates, losses are not immediately felt in the General Fund as Council Tax is accounted for in the Collection Fund, with any surplus or deficit being shared with other Preceptors; the Council's share is 9%. However, this may be offset by the accumulated surplus on the Collection Fund in 2019/20.</p>
Income from Commercial Tenants	<p>A three-month rent holiday (April to June 2020) has been offered to tenants whose business closed due to the Government's lockdown, on the understanding that they would repay the shortfall over the remainder of the financial year.</p> <p>40% of the Council's income is from 4 tenants and these are currently still paying rent. The remaining 60% of rent comes from smaller businesses, comprising 69 tenants in a diverse range of services and trades. 67 of these tenants have been paid a cash grant from the Government of £10,000.</p> <p>44 of the 69 tenants are currently paying full rent. It is considered even with the support being provided, some of these businesses could be vulnerable, especially those in the leisure sector, the extent of which will depend on the impact of social distancing and the</p>

	<p>speed of recovery.</p> <p>At this stage, from a total budgeted rent roll of approximately £700,000, it is anticipated that income could be down by up to £100,000 in 2020/21.</p>
Leisure Centre Management	<p>The Council subsidises Etwall Leisure Centre at a cost of £2,600 per month (£31,200 per year) but receives a profit share payment for Green Bank Leisure of £6,900 per month (£82,800 per year). The Council, therefore, receives a net income of £4,300 per month (£51,600 per year) across the two centres. These are fixed contractual amounts.</p> <p>The Contractor informed the Council that it was unable to pay the profit share for Green Bank whilst the Centre is shut. Therefore, the Council has agreed to suspend the net income of £4,300 per month until the Centre re-opens.</p>
Trade Waste Income	Some businesses have suspended, or cancelled services and to-date income is down by approximately £13,500.
Rosliston Forestry Centre	To-date, loss of income from cabin bookings is approximately £23,700.
Cultural and Community Services Income	To-date, income is down by approximately £80,000, although this is mainly from planned Sport and Play events which have been cancelled. Some of this income may be offset by a reduction in costs and from earmarked reserves.
Planning Fees	<p>The number of applications dipped in April and May compared to normal volumes. In addition, larger applications have become less frequent.</p> <p>Income is down by approximately £83,000 to-date. However, income can fluctuate during the year.</p> <p>In addition, there are earmarked reserves for Planning which have been accumulated in previous years from additional income, which has been set-aside in accordance with Regulations; these could be utilised to finance any deficit if required.</p>
Homelessness/Bed and Breakfast Costs	<p>Additional costs of temporary accommodation are being incurred. However, the Council has separate funding to meet these costs.</p> <p><i>This is subject to a separate report elsewhere on the Agenda.</i></p>
Personal Protective Equipment (PPE)	Additional costs of approximately £18,000 have been incurred to-date, including just under £6,000 in the Housing Revenue Account.
Other Income	To-date, income from Licensing and Land Charges is down by approximately £32,000 and from other Environmental Health

	<p>Services by approximately £10,000.</p> <p>However, additional income is likely to be generated from Recycling as a greater level of food waste and other materials are being presented at the kerbside, for which the Council receives income through “<i>Recycling Credits</i>”.</p>
Waste and Cleansing Services	<p>Additional costs of approximately £25,000 per month are being incurred to ensure working practices adhere to safe/social distancing guidelines.</p>

- 4.60 A full assessment is currently being made of the issues detailed in the above table, together with the impact on the Council’s Base Budget and Medium-Term Financial Plans (General Fund and HRA).
- 4.61 The loss of income and may be temporary and it is expected that it will start to pick up, depending clearly on the easing of the Government’s lockdown. An update will be reported to future Committees.
- 4.62 Although detailed figures are still being assessed at this stage, it is likely that the Council will have enough reserves to act as a buffer in the short-term. This can be supplemented from the general Government grant of approximately £1.1 million to support spending pressures, as detailed earlier in the report.
- 4.63 Based on the latest Medium-Term Financial Plan (MTFP) reported to the Committee in February 2020, the projected General Fund Reserve as at March 2025 was £2.8 million. After meeting further spending approvals and pending commitments, the Reserve is projected to reduce to approximately £2.2m, which is still above the approved minimum level of £1.5m.
- 4.64 The HRA’s General Reserve is forecast to go no lower than £2.9m over the life of the current HRA Financial Plan to 2030, which is above the minimum level of £1m.
- 4.65 In addition, both the General Fund and the HRA are expected to report positive out-turns for 2019/20.

Longer-term Implications

- 4.66 However, the longer-term effect on the Council’s financial position is still to emerge. It is considered that this will depend on two main factors:
- The longer-term effect of people’s ability to pay Council Tax and Business Rates beyond the initial lockdown period.
 - The knock-on effects on the national and local economies and how this may affect future funding settlements for local government.
- 4.67 The second factor is already a key financial risk to the Council, given the outstanding Fair Funding Review and future changes to the funding of local authorities from 2021.
- 4.68 It has recently been confirmed by the Government that the Fair Funding Review will be delayed by a further year to 2022. In the meantime, the Government intend to

consult with local authorities later in the year regarding the details of the Local Government Financial Settlement for 2021/22

Other Impacts

- 4.69 The potential buyer of the former Depot Site on Darklands Road has deferred the redevelopment of the site until later in the year. Therefore, the sale has also been deferred with a longstop date of 31 December 2020 having been agreed to complete the sale, after which the developer will be in default. The Council has secured a non-refundable deposit of £45,000.
- 4.70 Although the Council is not reliant on the capital receipt in its financial plans, it does potentially reduce the overall amount available in the future for new capital investment.
- 4.71 In addition, the Council agreed to suspend the annual repayment of a loan amounting to £2,500 from the Melbourne Sporting Partnership. The payment was due in April but was initially deferred to June 2020 and is now being reviewed.
- 4.72 The Loan is for £25,000 repayable in equal instalments of £2,500 per year over 10 years from 2017 to 2027.

Annual Accounts Timetable

- 4.73 Due to the Covid-19 crisis, the Government have approved Regulations to delay the publication of the 2019/20 Accounts. The draft accounts for Audit which are normally due by 31 May each year, have been deferred until 31 August 2020. The final published Accounts following Audit have been deferred until 30 November 2020.
- 4.74 As usual, the Budget Out-turn position will be reported to the Committee later in July. The draft Accounts, following Audit, are expected to be reported to the Committee at its meeting in November.

5.0 Financial Implications

- 5.1 As detailed in the report.

6.0 Corporate Implications

Employment Implications

- 6.1 None

Legal Implications

- 6.2 None

Corporate Plan Implications

- 6.3 None directly, although maintaining the financial sustainability of the Council, its residents, and the local economy, will enable the Corporate Plan (2020 to 2024) to be delivered in the long-term.

Risk Impact

- 6.4 Conversely, if the financial position of the Council is adversely affected in the long-term, this could affect the Council's ability to deliver some elements of its Corporate Plan. The position will be kept under review.

7.0 Community Impact

Consultation

- 7.1 None required.

Equality and Diversity Impact

- 7.2 None

Social Value Impact

- 7.3 None

Environmental Sustainability

- 7.4 None

8.0 Background Papers

- 8.1 None

South Derbyshire District Council Council Tax S13A (1) (c) Local Government Finance Act 1992 Policy

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1.0 Introduction

- 1.1 The following policy outlines the Council's approach to granting discretionary reductions in liability for Council Tax under S13A (1) (c) of the Local Government Finance Act 1992 (as amended). The Council has the ability to the reduce liability for Council Tax in relation to individual cases or class(es) of cases that it may determine where national discounts and exemptions cannot be applied.
- 1.2 This policy is basically divided into three main areas namely:
- (a) **The Council Tax Hardship Fund** – this part of the policy covers the recent initiatives by Central Government to assist taxpayers who are suffering financial hardship due to the onset of the Corona virus (COVID-19);
 - (b) **The Flood Recovery Framework** – this part of the policy covers situations outlined by Central Government where any parts of the Council's area were to be designated as a designated flood area; and
 - (c) **Granting of reductions in Council Tax liability in all other circumstances** - this part of the policy applies to all other circumstances where an application is made to the Council for a reduction in Council Tax liability under S13A (1)(c) of the Local Government Finance Act 1992 other than in respect of (a) and (b) above.

2.0 Legislation

- 2.1 The relevant legislation (S13 of the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012), states the following:

Reductions by billing authority

- (1) The amount of council tax which a person is liable to pay in respect of any chargeable dwelling and any day (as determined in accordance with sections 10 to 13);
- (a) In the case of a dwelling situated in the area of a billing authority in England, is to be reduced to the extent, if any, required by the authority's council tax reduction scheme;
 - (b) Not applicable
 - (c) **in any case, may be reduced to such extent (or, if the amount has been reduced under paragraph (a) or (b), such further extent) as the billing authority for the area in which the dwelling is situated thinks fit.**
- 2.2 The provisions stated in (c) above, allows the Council to reduce the Council Tax liability for any taxpayer in addition to any application for Council Tax Reduction under the Council's scheme. This is a general power that has always been available to the Council.

3.0 Finance

- 3.1 Any amounts granted under S13A (1) (c) are normally financed through the Council's general fund and do not form part of the collection fund. In certain circumstances, Central Government provides funding directly to the Council to compensate for specific events such as the COVID-19 crisis and in the case of severe flooding. Where this is available, the Council will look to use **all** funding provided.
- 3.2 Any additional assistance, outside of the funding, would fall to be paid by the Council itself.

4.0 The Council Tax Hardship Fund (COVID-19)

- 4.1 Central Government have announced a number of recent initiatives to assist taxpayers who are suffering financial hardship due to the onset of the Corona virus (COVID-19) and have provided funds to the Council under S31 of the Local Government Act 2003 with the proviso that all monies are paid strictly in accordance with S13A (1) (c) of the Local Government Finance Act 1992 and in line their guidance issued on 25th March 2020.
- 4.2 The funds named by Central Government as the 'Council Tax Hardship Fund' relate to the 2020/21 financial year only and are designed to meet the immediate needs of all taxpayers who are currently claiming Council Tax Reduction (CTR) under S13 A (1) (a) of the Local Government Finance Act 1992. The funds are primarily designed to assist working age applicants with payment of their Council Tax.
- 4.3 It is essentially down to individual authorities to determine how to use the funds however, Central Government through the Ministry of Housing, Communities and Local Government (MHCLG) state that, in order to retain the funding, Councils must look to use monies as directed by them.
- 4.4 The scheme guidance issued by MHCLG states the following:
- (a) The Government's strong expectation is that billing authorities will provide all recipients of working age local Council Tax Reduction during the financial year 2020/21 with a further reduction in their annual council tax bill of £150, using their discretionary powers to reduce the liability of council taxpayers outside of their formal scheme design;
 - (b) Where a taxpayer's liability for 2020/21 is, following the application of Council Tax Reduction, less than £150, then their liability would be reduced to nil;
 - (c) Where a taxpayer's liability for 2020/21 is nil, no reduction to the Council Tax bill will be available;

- (d) There should be no need for any recipient of Council Tax Reduction to make a separate claim for a reduction under this scheme. The billing authority should assess who is eligible for support from the hardship fund and automatically rebill those council taxpayers;
- (e) Whether or not a taxpayer has been affected by COVID-19, directly or indirectly, should not be taken into account in assessing eligibility for this reduction;
- (f) The Government recognises that existing support mechanisms vary locally, including CTR schemes, discretionary Council Tax discount/hardship schemes and local welfare schemes;
- (g) Having allocated grant to reduce the Council Tax bill of working age Council Tax Reduction recipients by a further £150, billing authorities should establish their own local approach to using any remaining grant to assist those in need. Billing authorities will want to revisit their broader approach at intervals during the financial year, in order to ensure expenditure for 2020/21 remains within their allocation;
- (h) In determining any broader approach to delivering support, authorities are best placed to reflect on the financial needs of their most vulnerable residents. In doing so, they may wish to consider using their remaining grant allocation as part of wider local support mechanisms. These may include, but are not restricted to:
 - (i) Council Tax relief using existing discretionary discount/hardship policies (adapted where necessary in order to capture those most likely to be affected by COVID-19);
 - (ii) Additional support outside the Council Tax system through Local Welfare or similar schemes; and
 - (iii) A higher level of Council Tax Reduction for those working age Council Tax Reduction recipients whose annual liability exceeds £150.
- (i) The Government is keen to ensure that support is provided as quickly as possible to individuals who are eligible. It therefore considers that there is a strong case for councils to provide the support 'up front' to enable the maximum benefit to be delivered promptly. However, the Government recognises that in some cases, authorities may consider that the most effective assistance could be profiled across the year.

The Council's Policy in respect of the Council Tax Hardship Scheme (COVID-19)

- 4.5 The Council is keen to support all taxpayers within the area and, as such, will implement the scheme strictly in accordance with Central Government guidelines by taking the following actions:

- (a) An amount of up to £300 will be credited to the Council Tax account of all working age applicants who are in receipt of Council Tax Reduction on 1st April 2020. It should be noted that:
 - Where any residual liability of any taxpayer is less than £300, then an amount will be granted to ensure that the liability is reduced to zero; and
 - Only one amount of £300 shall be awarded per account irrespective of the number of persons that are in receipt of Council Tax Reduction.
 - (b) There will be no requirement for any taxpayer to apply for this initial award and it shall be automatically applied to their account;
 - (c) Where the taxpayer is not entitled to Council Tax Reduction on 1st April 2020 but subsequently becomes entitled, the Council will award an amount of up to £300 as in (a) and (b) above;
 - (d) Where a taxpayer is subsequently not eligible for Council Tax Reduction, for any of the 2020/21 period, any grant awarded shall be withdrawn;
- 4.6 Where there are any residual funds available and, in line with MHCLG recommendations, the Council will accept applications for assistance with housing costs or to reduce bills where people have been unable to move in/out, move furniture etc. and all other discounts and reliefs have been exhausted.
- 4.7 For the purposes of 4.6, the Council will only accept applications where the following criteria are met:
- (a) The applicant is deemed by the Council to be vulnerable;
 - (b) The applicant has requested assistance with housing costs or to reduce bills where the move in /move out and the moving of furniture etc is due to difficulties during the COVID-19 crisis only;
 - (c) No other discounts or grants are available;
 - (d) The applicant is unable to meet the costs from any proceeds of sale and /or future rent payments; and
 - (e) The applicant is in severe financial hardship.
- 4.8 Funding under the Council Tax Hardship (COVID-19) fund is only available for the 2020/21 period and is limited to the level of funds provided by Central Government.

5.0 The Flood Recovery Framework

- 5.1 In a severe weather event with significant wide area impacts, local authorities may need central support to help their communities and businesses return to normal. Building on these principles, a core package of business and community recovery support has been developed by Central Government to serve as a framework for flood recovery funding when needed.

- 5.2 It will be for Government Ministers to determine when this support will be made available. Weather incidents with localised impacts will not usually trigger a recovery support package.
- 5.3 In relation to Council Tax, Central Government have developed a Council Tax discount package that is available under S13A (1)(c).

Who is eligible for a council tax discount?

- 5.4 Where the Council Tax Discount Scheme is activated following severe weather, MHCLG will refund eligible local authorities for granting discounts in the following circumstances:
- (a) 100% discount for a minimum of 3 months, or while anyone is unable to return home if longer, for **primary residences** whereas a result of the relevant weather event:
 - Flood water entered into the habitable areas; or,
 - Flood water did not enter into the habitable areas, but the local authority regards that the residence was otherwise considered **unliveable** for any period of time. **AND**
 - (b) 100% council tax discount on temporary accommodation for anyone unable to return to their home, in parallel with the discount on their primary residence where applicable.
- 5.5 Second homes and empty homes will **not** be eligible.
- 5.6 Instances where households might be considered **unliveable** could include:
- where access to the property is severely restricted (e.g. upper floor flats with no access);
 - key services such as sewerage, draining, and electricity are severely affected;
 - the adverse weather has resulted in other significant damage to the property such that it would be, or would have been, advisable for residents to vacate the premises for any period of time, regardless of whether they do vacate or not;
 - flooded gardens or garages will **not** usually render a household eligible but there may be exceptions where it could be demonstrated that such instances mean effectively that the property is unliveable.
- 5.7 It will be for the Council to determine eligibility under the scheme.

Properties affected by multiple instances of flooding

- 5.8 Residences impacted in multiple flood events will not be precluded from repeat support where this is made available by Government in respect of separate weather events.
- 5.9 Where the scheme is activated for two separate instances of flooding within 3 months of each other, the two discount periods will run concurrently. For example, if the second flood event occurred after 2 months, flooded properties already receiving support could be

eligible for another 3 months' discount, making the total period of reimbursement 5 months.

Funding

5.10 In such cases, Central Government will make payment to the Council via a Section 31 grant.

The Council's Policy in respect of the Flood Recovery Framework

5.11 The Council shall operate the scheme strictly in accordance with Central Government guidelines.

6.0 Applications for S13A (1) (c) in other cases

- 6.1 Where the Council receives an application for a reduction in liability in any other case (other than listed within the Central Government sponsored scheme specified above), all applications will be treated on their individual merits.
- 6.2 In such cases, the Council will require the applicant (where appropriate) to:
- Make a formal application for Council Tax Reduction in an appropriate format;
 - Consider potential changes in payment methods and payment arrangements;
 - Assist the Council to minimise liability by ensuring that all discounts, exemptions and reductions are properly granted;
 - Maximise their income through the application for other welfare benefits;
 - Have taken all reasonable steps to resolve their situation prior to application;
 - Provide evidence of exceptional financial hardship or exceptional personal circumstance that would merit a reduction in the Council Tax liability; and
 - Not have access to assets, capital or other financial remedy that could be used to meet the Council Tax liability;
- 6.3 Non-essential outgoings such as cigarettes, alcohol, subscription TV etc. and payments to non-priority debtors e.g. catalogues, will not be taken into account when determining their application.
- 6.4 The circumstances affecting the ability to meet Council Tax liability must not be intentional by the applicant and must be deemed to be out of the applicant's individual control.

7.0 Delegated Powers

- 7.1 This S13A (1)(c) policy has been approved by the Council. However, the Head of Customer Services is authorised to make technical scheme amendments to ensure it meets the criteria set by the Council and, for certain defined schemes, Central Government guidance.

8.0 Notification

- 8.1 In the case of the Council Tax Hardship Scheme (COVID-19), all eligible taxpayers will be notified of the decision to apply any reduction as soon as possible after it has been made and any award will be by means of a discount being applied to the relevant Council Tax account.
- 8.2 In all other cases, the Council will issue a written decision letter to the applicant within one month of the request or as soon as practicable thereafter. This will include:
- the level of the award, if relevant;
 - full reasons for the decision;
 - how it will be paid; and
 - information about how to ask for a review of the decision.

9.0 Review of Decisions

- 9.1 Notwithstanding any reductions applied automatically to the Council Tax account, where any application is refused, the applicant will be notified that they can ask for the decision to be reviewed. Any request for a review must be made, in writing or by email, within one month of the decision letter.
- 9.2 The Head of Customer Services shall undertake the review and shall respond within two months and will have regard to any further evidence supplied.
- 9.3 If the applicant is dissatisfied with the outcome of the review, they can, within two months of the Council's reply, appeal to the independent Valuation Tribunal Service to consider their case.

10.0 Duration of Reduction

- 10.1 The duration of any award will depend of the circumstances of each case. However, in all cases the following principles will apply:
- (a) Where the reduction is applied under a Central Government Scheme, the reduction shall be applied to the Council Tax account for the period specified in Government guidance;

- (b) In all other cases,
 - (i) the application for the reduction can only relate to the current Council Tax financial year in which the application is made unless the delay was due to an exceptional circumstance; and
 - (ii) If an application is successful, the award period will be specific to the applicant's circumstances, but it cannot exceed a period greater than the financial year it has been awarded in or exceed the total Council Tax charge for that period.

11.0 Changes in circumstances and misrepresentation

- 11.1 A reduction in liability under S13A(1)(c) can be recovered if it has been made as a result of misrepresentation or failure to disclose a material fact, either fraudulently or otherwise. It can also be recovered as a result of the subsequent application of a national discount or adjustment in banding by the Valuation Office Agency
- 11.2 Changes of circumstances that subsequently negate the need for a reduction in liability under this policy will be recovered by the Council. Where this occurs, the Council shall notify the taxpayer accordingly.
- 11.3 Reductions in liability are not transferable following a change in address.
- 11.4 The Council reserves the right to recover any reductions in liability as a result of a change in legislation or regulation.
- 11.5 The Council is mindful that it is important to protect public funds and, as such, will take action to prosecute any case where the applicant acts fraudulently in applying for a reduction in Council Tax liability.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	2nd JULY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD, 01283 595939 Victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2019-20/Jul
SUBJECT:	REVENUE FINANCIAL MONITORING 2019/20	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the latest revenue financial position for 2019/20 as detailed in the report is considered and approved.

2.0 Purpose of the Report

- 2.1 To provide an update on performance against budget for 2019/20.
- 2.2 The report details performance up to 31st March 2020 unless otherwise stated and is an update of income and expenditure for 2019/20.
- 2.3 The report covers both General Fund and HRA income and expenditure, an update to the Medium-Term Financial Plan (MTFP) plus a quarterly update to the Collection Fund.

3.0 Detail

GENERAL FUND

- 3.1 Apart from Council housing, day-to-day revenue income and expenditure for Council services is accounted for through the General Fund. The net expenditure is financed through the Council's Core Spending Power which includes:
- General Government Grant
 - Council Tax
 - Retained Business Rates
 - New Homes Bonus
- 3.2 The Base Budget for 2019/20 approved in February 2019 estimated a budget deficit of £622,044.

- 3.3 Updates to the MTFP during the year following Committee approvals reduced the projected deficit in 2019/20 to £273,185.
- 3.4 During the review of the quarterly outturn for December, five further amendments have been made to the MTFP. Restructures in Document Services, Economic Development and Cultural and Community Services, updates for the actual expected cost of restructures after job evaluation, service changes in Customer Services and a feasibility study for reopening of the Ivanhoe Line are now included. The amended projected deficit for 2019/20 has reduced marginally to £262,591.
- 3.5 A summary of the revised budgeted deficit for 2019/20 is shown in the following table.

	£
Base Budget	12,702,388
Reverse out Depreciation	-842,289
Minimum / Voluntary Revenue Provisions	328,635
Contingent Sums	598,902
Total Estimated Spend	12,787,636
Financing	-12,525,045
Estimated Deficit	262,591

- 3.6 An update to the Council's financial position as a result of approved changes is listed within the MTFP in **Appendix 1**.

- 3.7 Contingent sums held within the MTFP are detailed in the following table.

	£
Provision for "off-payroll" payments	10,000
Waste Collection and Recycling	100,000
Growth	460,000
Wildflower Planting	7,286
Approved Restructures	28,347
Childcare Voucher Administration	1,750
Pension Earmarked Reserve Drawdown	-8,481
Total	598,902

- 3.8 The Approved Restructures noted above includes the cost of the Community Enforcement Officer, the saving on the Senior Management restructure reported in detail in August (-£23k), the Finance and ICT restructures reported in August (£10k) and the Economic Development and Growth and Document Services restructures (£1k) approved in January and February.

Position as at March 2020

- 3.9 A summary of the financial position for the year compared to the Base Budget for each Policy Committee is shown in the following table. Although the majority of adjustments have been updated in the Accounts, the Collection Fund, Benefits, Growth and Capital amendments are still to be completed.

COMMITTEE SUMMARY - BUDGET MONITORING MARCH 2020

Summary by Policy Committee

REVENUE	ANNUAL			RESERVES	
	Full Year	Projected	Projected	Net effect	
	Budget £	Actual £	Variance £	Earmarked £	on GF £
Environmental and Development Services	5,189,760	4,727,826	461,934	184,626	277,308
Housing and Community Services	2,265,345	2,149,042	116,303	9,829	106,474
Finance and Management	5,247,283	2,829,756	2,417,527	2,099,695	317,832
TOTAL	12,702,388	9,706,624	2,995,764	2,294,150	701,614

3.10 Although the above table shows that net expenditure is £2,995,764 lower than the base budget, approximately £2,294,150 is due to grant income and external contributions received under Section 106 agreements for projects and capital schemes which stretch beyond the current financial year. This funding is transferred to specific reserves and drawn down to finance expenditure when it is incurred.

3.11 Excluding transfers to specific reserves, the above table shows that based on current spending, there is a projected decrease in overall expenditure across General Fund services of approximately £701,614, which will create a surplus for the current year.

3.12 An analysis by the main service areas is shown in the following table.

COMMITTEE SUMMARY - BUDGET MONITORING MARCH 2020

Summary by Service Area

REVENUE	ANNUAL			RESERVES	
	Full Year	Projected	Projected	Net effect	
	Budget £	Actual £	Variance £	Earmarked £	on GF £
Economic Development	318,142	312,566	5,576	5,576	0
Environmental Services	674,791	665,589	9,202	2,111	7,091
Highways & Parking	145,945	100,775	45,170	0	45,170
Licensing & Land Charges	27,422	-19,164	46,586	0	46,586
Planning	545,908	260,476	285,432	187,199	98,233
Street Scene	975,363	894,222	81,141	0	81,141
Waste & Transport	2,502,189	2,513,362	-11,173	-10,260	-913
Community Development & Support	653,810	624,488	29,321	10,769	18,552
Recreational Activities	189,077	154,372	34,705	0	34,705
Leisure Centres & Community Facilities	550,193	503,484	46,709	21,886	24,823
Parks & Open Spaces	438,049	484,943	-46,893	-52,600	5,707
Private Sector Housing	434,216	381,755	52,461	29,774	22,687
Central Support Services	3,549,529	3,524,341	25,188	-20,725	45,913
Corporate & Democratic Costs	489,808	432,038	57,770	17,493	40,277
Elections & Registration	333,219	257,007	76,212	-4,058	80,270
Parishes, Interest, S106 Receipts & Provisions	546,933	-1,611,036	2,157,969	2,037,436	120,533
Estate Management	-269,867	-281,206	11,339	0	11,339
Revenues & Benefits	597,661	508,612	89,049	69,549	19,500
	12,702,388	9,706,624	2,995,764	2,294,150	701,614

3.13 The main reasons for the projected variance are summarised in the following table and detailed in the commentary.

GENERAL FUND VARIANCE TO BUDGET MARCH 2020	
	£'000
Salary savings (vacancies, maternity etc.) - F&M	425
Salary savings (vacancies, maternity etc.) - E&D	242
Salary savings (vacancies, maternity etc.) - H&C	35
Total Employee	702
Increased Planning Fee Income	184
Investment Income	122
Derbyshire County Council Contributions	70
Increased Environmental Services Income	58
Gulley Cleaning	55
No Requirement for a Bi-Election	46
Lettings from Industrial and Commercial Units	44
Increased Street Naming Income	27
External Audit Fees	25
Elected Members Professional Fees and Expenses	21
Forest England Contribution for Rosliston	20
Licensing and Land Charges Income	18
Leisure Centre Income	17
Training Costs	17
Cemetery Income	16
Housing Standards Income	16
Postage costs	15
Vehicle Hire	12
Legal Fee Income	9
Vehicle Spare Parts	8
Total Favourable Variances	1,502
Flooding Works	-5
Banking Transaction Costs	-8
Car Parking Deficit	-9
Mobile Phones Overspend	-15
Animal Welfare Act Costs	-23
Rosliston Fee Income	-23
Planning Appeals Provision	-28
Head of Service Recruitment	-81
Agency and Consultancy Costs	-606
Other Variances (net)	-2
Total Adverse Variances	-800
TOTAL - OVERALL PROJECTED VARIANCE	702

3.14 Salary savings in year relate to vacancies and maternity and are mostly offset by agency and consultancy to support service areas plus recruitment costs for the new Head of Service posts. Due to current vacancies, a saving in employee training has also been realised. Further detail of the costs and savings per area are listed in the following table.

	Employee Saving £'000	Agency Cost £'000	Variance £'000	
Refuse	70	-173	-103	5 vacancies recruited in Feb
Planning	12	-79	-67	Long-term sickness
Property	13	-37	-24	Maternity and vacancies - fully recruited
Environmental	34	-55	-21	Long-term sickness plus vacancy
GF Housing	-9	-6	-15	Maternity
Civic Offices	36	-46	-10	Vacancies recruited
Rosliston	-5	0	-5	Long-term sickness
Senior Mgmt	15	-17	-2	Sickness cover
Senior Management Restructure	80	-81	-1	Customer, Organisation and Cultural
Finance	17	-13	4	Vacancy now recruited
Democratic	9	-5	4	Vacancy now recruited
Land Charges	56	-44	12	Vacancies - Lichfield DC supporting
Licensing	12	0	12	
Caretaking	19	-6	13	
Business Change & ICT	18	-3	15	Vacancies now recruited
Organisational Development	53	-33	20	Vacancies now recruited
Events	22	0	22	Apprentice vacancy - trf to Org Dev in 20/21
Revenues & Benefits	22	0	22	
Elections	28	0	28	Vacancy
Legal	142	-89	53	Out to recruit
Grounds Maintenance	58	0	58	Vacant posts
	702	-687	15	

3.15 Investment income is greater than budget due to the large value of cash deposits held by the Council. Cash investments have been higher in year due to lower service and capital expenditure as reported. £4m is currently invested in a longer-term high interest account with an average return of 4%. The MTFP was updated in October to include an additional £100k of investment income. The receipt in year has exceeded the total budget on the General Fund by £122k.

3.16 Planning applications are significantly higher than forecast and have remained consistently high throughout the year. An increase above that budgeted for potential Planning Appeal costs of £28k has been seen but this is more than offset by the increased income. An earmarked reserve contribution of £157k will be transferred as part of the year-end process for the additional fee income from the increase of planning fees by 20%. No draw down is required in year for the software upgrade as this has been offset against the 20% income noted above.

- 3.17 Contributions from Derbyshire County Council are higher than budget on waste disposal (£53k) due to higher levels of green waste and recycling in March at the beginning of the pandemic. Additional income has also been received for the service charge paid for use of the Civic Offices (£17k).
- 3.18 Food Safety and Pollution Reduction income is higher than budgeted and was consistently higher than budget throughout the year. Fee income generated through food safety certificates generally exceeds the budget year-on-year. Costs have been incurred for kennelling due to seizing 26 animals under the Animal Welfare Act. It is hoped that these costs can be recovered after prosecution but at present the increased income in other Environmental services more than offsets this cost.
- 3.19 Difficulties with the contractor delayed some gully cleansing works in the final quarter with the pandemic stopping works completely. This function is currently under review and it is not anticipated that the underspend of £55k will be required for additional works in 2020/21.
- 3.20 A budget is always included for the potential requirement for a Bi-Election each year. No Election was required and therefore a saving of £46k has been made.
- 3.21 Commercial lets have achieved greater levels of income than budgeted due to the void units being lower than anticipated.
- 3.22 Street Naming income has seen a large volume of applications in line with the growth of the District and it is anticipated that this income stream will be higher than currently forecast.
- 3.23 The budget for External Audit Fees was set at the former level charged prior to the tender through the Public Sector Audit Appointments (PSAA). A reduced budget has been included for the fee in 2020/21.
- 3.24 Costs incurred in relation to Elected Members are lower due to no costs associated with Independent Members (£10k) plus allowances and expenses being at a lower level than expected (£11k).
- 3.25 Leisure Centre income is in relation to Etwell and has been received from John Port School and for profits from the Artificial Grass Pitch and catering service.
- 3.26 Legal Services income received in year is currently unbudgeted. Income has been generated for costs in relation to a successful legal challenge in court.
- 3.27 Forestry England has contributed £20k towards the on-going service costs at Rosliston Forestry Centre whilst the tender for future delivery on the site is undertaken. Fee income is lower than budget (£23k) due to inclement weather during 2019/20.
- 3.28 Licensing, Land Charges and Cemeteries income is higher than budget which is in line with prior years.
- 3.29 Income has been received for HMO penalties issued and enforcement works completed in prior years by the Housing Standards team.
- 3.30 A new fleet of vehicles were acquired in 2018/19 and therefore spare parts for vehicles and vehicle hire are now lower than budgeted in 2019/20.

- 3.31 Postage costs for Business Rates and Council Tax bills were slightly overbudgeted during the budget round and a £15k favourable variance will be transferred to the General Fund.
- 3.32 Adverse variances include agency and consultancy support and Head of Service recruitment are all noted at 3.14
- 3.33 Mobile phone costs are exceeding the budget by approximately 75% in year. This is currently under investigation.
- 3.34 Other smaller adverse variances include bank transaction charges, car parking and flood prevention.
- 3.35 Banking charges are higher than budget due to the cost per transaction increase after the Banking Services tender. This increase was not included within the budget for 2019/20 but will be incorporated in future years.
- 3.36 A deficit was incurred on car parking enforcement across the District in year, yet a surplus had been budgeted.
- 3.37 Due to flooding in the District on two occasions during the year, costs incurred have created a small adverse variance on Emergency Planning.

Core Grants and Funding

- 3.38 The Council's central funding, besides Business Rates, is fixed for the year and is shown in the following table

Core Grants and Funding 2019/20	£
Council Tax	5,405,401
Retained Business Rates	3,584,572
Discretionary Business Rates Relief Scheme	20,000
New Homes Bonus	3,281,951
Collection Fund Surplus	110,000
Total Funding	<u>12,401,924</u>

- 3.39 The final amount retained for Business Rates will depend upon income and expenditure during the year, which includes provisions and any return from the Derbyshire Business Rates Pool.
- 3.40 Performance of the Pool is reported quarterly to all Derbyshire S151 Officers and the Pool is currently performing well. The NHS Trust challenge for charitable status has now been resolved with no case to answer therefore there will be no impact to the Pool.

HOUSING REVENUE ACCOUNT (HRA)

- 3.41 The Council is required to account separately for income and expenditure in providing Council housing.

3.42 The Base Budget approved in February 2019 and updated in February 2020 for the HRA is set with an estimated surplus of £136k. The position of the HRA as at March 2020 is summarised in the following table.

HRA BUDGET MONITORING SUMMARY - MARCH 2020			
	BUDGET	ACTUAL	VARIANCE
	£000	£000	£000
Total Income	-12,414	-12,330	-84
Contribution to Capital & New Build	3,188	3,188	0
Responsive & Planned Maintenance	3,162	2,820	342
Interest on Debt and Investments	1,713	1,393	320
Supervision & Management	1,817	1,816	1
Supported Housing & Careline Services	829	825	4
Provision for Bad Debts	100	100	0
Provision for Debt Repayment	1,424	1,424	0
Asset Replacement Contribution	45	45	0
Contingent Sums	0	0	0
Surplus	-136	-719	583

3.43 The above table shows that overall the HRA is expected to have an increased surplus of £719k which is £583k more than budgeted. The main reasons for the variances are detailed below.

HRA VARIANCE TO BUDGET MARCH 2020	
	£'000
Salary savings (vacancies, maternity etc.)	356
Repairs & Maintenance	344
Over Budgeted Interest Charges	210
Investment Income	110
Professional Fees	51
Additional Careline Income	17
Training	17
Materials Spend	16
Increased Utilities	-15
Council Tax Charges	-35
Reduced Rent due to Right to Buy	-84
Agency and Consultancy Staff	-407
Other Variances (net)	3
TOTAL - OVERALL PROJECTED VARIANCE	583

3.44 Salary savings in year relate to vacancies and are more than offset by agency and consultancy to support services. As with the General Fund, training costs will also be lower due to vacancies.

3.45 Due to a slower start to the year on repairs, the HRA has underspent on both repairs & maintenance and materials.

- 3.46 Interest on the HRA loans has resulted in a large savings for a number of years due to the variable rate loan being charged at a lower rate of interest than forecast. A saving against budget of £210k has been realised. Investment income is also above budget by £110k on the HRA. Further detail on the reasons for the increase are noted at 3.15.
- 3.47 A lower cost for professional fees is mainly due to a contingency budget for revenue costs associated with new build and acquisition. In year costs have been absorbed within capital reserves.
- 3.48 The revenue income lost through Right to Buy is a large risk to the HRA with sales as at the end of March totalling 16. In addition to losses through Right to Buy is the increased delay on relets of void properties. Contractual delays resulted in a slower turnaround of voids, which has also resulted in large Council Tax charges. There was a backlog on void properties prior to start up with a new contractor due to a review of the policies and processes surrounding relets. More extensive works are now being completed prior to relet and a higher standard is being set for incoming tenants since August 2019.
- 3.49 Smaller adverse costs relating to insurance and utilities are marginal in comparison to the full year budget and are not a material concern.
- 3.50 The HRA's 10-year MTFP is shown in **Appendix 2** for reference as nothing has changed to the HRA forecast since the MTFP reported in February.

COLLECTION FUND

- 3.51 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and Preceptors.
- 3.52 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The projected position on the Fund for 2019/20, based on transactions up to 31st December 2019, is detailed in **Appendix 3**.
- 3.53 This shows that the projected surplus balance on Council Tax is approximately £1,791k and Business Rates is approximately £202k.
- 3.54 Growth in the tax base (subject to Covid 19) is expected to continue which will impact positively on both Business Rates and Council Tax by increasing potential surpluses. Business Rates however has the continual risk of Business Rate Appeals which have previously pushed the Business Rates element of the fund into a deficit.
- 3.55 The Council is required to complete a Statutory return with expected Tax Base numbers for the following financial year in September. The Council Tax budget was based on this return with a Tax Base of 33,302 Band D equivalent properties with a total number of dwellings on the valuation list of 43,964. At the end of September 2019, the actual Tax Base was 34,474 (+1,172) with a total number of dwellings of 45,150 (+1,186). Further growth in the Tax Base has occurred during the final quarter of 2019/20 and will be reported as part of the final outturn.

4.0 Financial Implications

4.1 Detailed in the report.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 There are no specific targets within the Corporate Plan but ensuring sustainability of the Council's financial position enables services to deliver targets included with the Plan.

Risk Impact

5.4 None.

6.0 Community Impact

Consultation

6.1 None.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 None.

Environmental Sustainability

6.4 None.

7.0 Background Papers

7.1 None.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at MARCH 2020

Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24	Projection £ 2024.25
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BASE BUDGET

Environmental & Development	5,106,688	5,366,303	5,540,254	5,691,050	5,845,800	6,002,085
Housing & Community	2,336,844	2,439,216	2,600,549	2,645,720	2,691,209	2,737,613
Finance & Management	5,270,548	5,356,126	5,547,437	5,701,558	5,863,572	6,021,161
Net Service Expenditure	12,714,080	13,161,645	13,688,240	14,038,328	14,400,581	14,760,859

Accounting Adjustments

Reverse out Depreciation	-842,289	-988,536	-988,536	-988,536	-988,536	-988,536
Minimum Revenue Provision (MRP)	197,409	189,512	181,932	174,654	167,668	160,962
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	75,891	20,556	20,556	1,639
	12,200,426	12,493,847	12,957,526	13,245,002	13,600,268	13,934,924

Add: Known Variations

Proposed Senior Management Restructure - One-Off Costs Provision	0	21,090	21,618	9,216	0	0
Vehicle Maintenance Plan (Tyres and Spare Parts)	0	0	20,000	43,000	40,000	75,000
Restructures Approved From April to January 2020	-175	3,834	5,214	6,517	3,625	4,867
HRA Recharge Reduction	0	76,800	76,800	76,800	76,800	76,800
Voluntary Grants and Concurrent Functions Uplift 2%	0	11,233	11,458	11,687	11,921	12,159
Local Plan Review	0	0	15,000	15,000	0	0
Incremental Salary Increases	0	0	20,610	29,125	37,853	46,800
Pay Award 2020/21	0	243,244	249,325	255,558	261,947	268,496
Reverse Pension Deficit Increase Included in Base Budget	0	-51,493	0	0	0	0
Pension Revaluation	0	89,162	92,211	95,311	98,464	101,670
Concurrent Functions Protection Approved Nov 19	0	50,059	50,059	50,059	50,059	50,059
Cultural and Community Services Restructure Approved Feb 2020	0	77,985	11,486	13,844	16,488	20,271
Additional Modern Apprentice Approved Feb 2020	0	21,850	22,396	0	0	0
Document Services Structure Update Approved Feb 2020	476	6,261	6,432	6,593	6,743	6,920
Savings from the Senior Management Restructure	-23,646	0	0	0	0	0
Investment Income	0	0	30,000	51,000	81,000	98,040
Administration of Childcare Vouchers	1,750	1,750	1,750	1,750	1,750	1,750
Temporary Posts and Rosliston	0	-136,489	-263,336	-269,906	-270,222	-264,905
Feasibility Study Approved Jan 2020	0	5,000	0	0	0	0
Potential Cost of New Waste Disposal Site	0	0	47,400	49,770	52,259	54,871
Potential Loss of Industrial Unit Income	0	0	0	190,000	190,000	190,000
Pension Earmarked Reserve Drawdown	0	-38,794	-41,122	-43,589	-6,783	0

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at MARCH 2020

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24	Projection £ 2024.25
Pictorial Wildflower Planting Approved August 19	7,286	0	0	0	0	0
Community Safety Enforcement Officer Approved February 19	40,000	0	0	0	0	0
District Election May 2023	0	0	0	0	125,000	0
TOTAL ESTIMATED SPENDING	12,217,636	12,875,339	13,334,827	13,836,737	14,377,172	14,677,722
Provisions						
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	460,000	450,000	450,000	450,000	450,000	450,000
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	12,787,636	13,435,339	13,894,827	14,396,737	14,937,172	15,237,722
FINANCING						
Business Rates Retention	-3,707,693	-4,188,978	-3,699,726	-3,670,153	-3,676,916	-3,681,390
Discretionary Business Rate Relief Scheme	-20,000	-3,000	0	0	0	0
New Homes Bonus	-3,281,951	-4,262,171	-3,816,195	-3,815,552	-3,590,570	-2,692,927
Council Tax Income	-5,405,401	-5,704,748	-5,962,934	-6,229,020	-6,503,216	-6,785,737
Core Spending Power	-12,415,045	-14,158,897	-13,478,855	-13,714,725	-13,770,702	-13,160,055
Add Estimated Collection Fund Surplus - Council Tax	-110,000	-83,200	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-12,525,045	-14,242,097	-13,533,855	-13,769,725	-13,825,702	-13,215,055
Revenue Surplus (-) / Deficit	262,591	-806,757	360,972	627,011	1,111,470	2,022,667
Capital Contributions						
Melbourne Sports Park Drainage	33,799	400,000	0	0	0	0
IT and Digital Strategy	210,000	210,000	210,000	210,000	210,000	210,000
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme (2017 contribution)	239,005	0	0	0	0	0
Community Partnership Scheme (2019 contribution)	275,000	0	0	0	0	0
Swadlincote Woodlands Nature Reserve	0	15,000	0	0	0	0
Rosliston Forestry Centre - Play Project	0	50,000	0	0	0	0
Asset Replacement and Renewal Fund	400,000	360,000	358,000	357,000	356,000	355,000
TOTAL CAPITAL CONTRIBUTION	1,202,139	1,035,000	568,000	567,000	566,000	565,000
TOTAL GENERAL FUND DEFICIT	1,464,730	228,243	928,972	1,194,011	1,677,470	2,587,667

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at MARCH 2020

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24	Projection £ 2024.25
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-10,426,414	-8,961,684	-8,733,441	-7,804,469	-6,610,458	-4,932,988
Revenue Surplus (-) / Deficit	262,591	-806,757	360,972	627,011	1,111,470	2,022,667
Capital Contributions	1,202,139	1,035,000	568,000	567,000	566,000	565,000
Balance c/fwd	-8,961,684	-8,733,441	-7,804,469	-6,610,458	-4,932,988	-2,345,320

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION -MARCH 2020

	2019.20 Approved Budget £'000	2020.21 Proposed Budget £'000	2021.22 Forecast £'000	2022.23 Forecast £'000	2023.24 Forecast £'000	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000	2029.30 Forecast £'000
INCOME											
Rental Income	-11,955	-12,168	-12,502	-12,796	-13,103	-13,424	-13,752	-14,095	-14,455	-14,823	-15,206
Non-Dwelling Income	-124	-143	-147	-150	-154	-158	-162	-167	-171	-176	-180
Supporting People Grant	-164	-130	-130	-130	-130	-130	-130	-130	-130	-130	-130
Other Income	-171	-177	-177	-177	-177	-177	-177	-177	-177	-177	-177
Total Income	-12,414	-12,618	-12,956	-13,253	-13,564	-13,889	-14,221	-14,569	-14,933	-15,306	-15,693
EXPENDITURE											
General Management	1,817	1,780	1,820	1,861	1,902	1,945	1,989	2,034	2,080	2,127	2,175
Supporting People	829	839	861	883	906	929	954	980	1,006	1,034	1,063
Responsive	1,247	1,344	1,377	1,410	1,443	1,478	1,513	1,549	1,586	1,623	1,662
Planned Maintenance	1,915	1,901	1,948	1,996	2,043	2,093	2,144	2,196	2,249	2,304	2,359
Bad Debt Provision	100	100	125	127	131	134	137	140	144	148	152
Interest Payable & Receivable	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,713	1,714
Depreciation	4,312	3,700	4,005	3,983	3,966	3,950	3,933	3,920	3,907	3,894	3,884
Net Operating Income	-481	-1,241	-1,107	-1,280	-1,460	-1,647	-1,838	-2,037	-2,247	-2,462	-2,684
Known variations:											
Reversal of Depreciation	-4,312	-3,700	-4,005	-3,983	-3,966	-3,950	-3,933	-3,920	-3,907	-3,894	-3,884
Capital Expenditure	1,888	1,935	1,683	1,470	1,433	1,477	1,516	1,547	1,182	1,261	1,489
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment - Balance of Depreciation	1,424	765	1,322	1,513	1,884	1,473	1,417	1,456	1,759	1,670	1,395
Major Repairs Reserve	700	600	600	600	300	600	600	600	600	600	600
Asset Replacement Earmarked Reserve	45	45	45	45	45	45	45	45	45	45	45

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION -MARCH 2020

	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Additional Debt Repayment Transfer	0	777	2,150	2,651	2,468	1,815	2,000	1,839	750	750	750
General Fund Recharges	0	-77	-77	-77	-77	-77	-77	-77	-77	-77	-77
Investment Income	0	0	25	43	68	0	0	0	0	0	0
Capital works non-traditional properties	200	100	100	100	0	0	0	0	0	0	0
Reverse Pension Deficit Increase Incl in Base Budget	0	-3	0	0	0	0	0	0	0	0	0
Pension Revaluation	0	18	18	19	19	20	20	21	21	22	22
ICT Upgrades	0	105	0	0	0	0	0	0	0	0	0
Potential Pay Award	0	44	45	47	48	49	50	51	53	54	55
Incremental Salary Increases	0	10	10	10	11	11	11	11	12	12	12
HRA Surplus (-) / Deficit	-136	-222	1,210	1,557	1,172	215	212	-63	-1,410	-1,620	-1,876
HRA General Reserve											
HRA Reserve B/fwd	-6,919	-7,055	-7,277	-6,068	-4,510	-3,338	-3,122	-2,911	-2,974	-4,384	-6,003
(Surplus) / Deficit for year	-136	-222	1,210	1,557	1,172	215	212	-63	-1,410	-1,620	-1,876
HRA Reserve C/fwd	-7,055	-7,277	-6,068	-4,510	-3,338	-3,122	-2,911	-2,974	-4,384	-6,003	-7,879

COLLECTION FUND MONITORING 2019/20 (as at 31st December 2019)

	Actual 2018/19	Estimated 2019/20	3rd Qtr Projection 2019/20	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Council Tax Collectable	57,262	61,270	61,596	Est. Increase in Tax Base and Precepts at 7%
EXPENDITURE				
County Council Precept	41,302	44,054	44,054	As approved by Full Council 27th Feb 2019
Police and Crime Commissioner Precept	6,253	7,213	7,213	As above
Fire and Rescue Authority Precept	2,427	2,538	2,538	As above
SDDC Precept	5,169	5,405	5,405	As above
SDDC Parish Precepts	773	798	798	As above
Increase in Bad Debts Provision	440	613	616	Estimated at 1% of income
Total Expenditure	56,364	60,621	60,624	
Surplus for the Year	898	650	972	
COUNCIL TAX BALANCE				
Opening Balance 1st April	1421	1,819	1,819	Per Final Accounts 2018/19
Share of Previous Surplus to County Council	-367	-733	-733	As approved by Full Council 27th Feb 2019
Share of Previous Surplus to Police	-56	-112	-112	As above
Share of Previous Surplus to Fire Authority	-22	-45	-45	As above
Share of Previous Surplus to SDDC	-55	-110	-110	As above
Surplus for Year (as above)	898	650	972	
Closing Balance as at 31st March	1,819	1,469	1,791	
	Actual	Estimated	3rd Qtr	
	2018/19	2019/20	Projection	
			2019/20	
BUSINESS RATES - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Business Rates Collectable	25,226	27,070	27,209	Estimate as per NNDR1
Transitional Protection Payments	771	705	600	
Total Income	25,997	27,775	27,809	
EXPENDITURE				
Central Government Precept	0	13,398	13,398	
SDDC Precept	13,338	10,718	10,718	Per NNDR1 Submission
Derbyshire County Council Precept	13,071	2,411	2,411	As above
Fire and Rescue Service Precept	267	268	268	As above
Cost of Collection	91	91	91	As above
Increase in Bad Debts Provision	250	242	272	Estimated at 1% of income
Provision for Appeals	-72	646	544	Estimated at 2% of income (forecast is NNDR1)
Total Expenditure	26,945	27,774	27,702	
Surplus / Deficit (-)	-948	1	107	
BUSINESS RATES BALANCE				
Opening Balance 1st April	-192	-377	-377	Per Final Accounts 2018/19
Transfer of Previous Year's Surplus (-) / Deficit	382	-286	-286	Per NNDR1 Submission
Transfer of Previous Year's Surplus (-) / Deficit	305	293	293	As above
Transfer of Previous Year's Surplus (-) / Deficit	69	460	460	As above
Transfer of Previous Year's Surplus (-) / Deficit	7	5	5	As above
Surplus / Deficit (-) for the Year as above	-948	1	107	
Closing Balance as at 31st March	-948	1	107	

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	2nd JULY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD 01283 595939 Victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2019-20/July
SUBJECT:	CAPITAL FINANCIAL MONITORING 2019/20	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the latest capital financial position for 2019/20 as detailed in the report is considered and approved.

2.0 Purpose of the Report

- 2.1 To provide an update on performance against the budget for 2019/20.
- 2.2 The report details performance of both the HRA and General Fund up to 31st March 2020 unless otherwise stated and is an update of capital project progress for 2019/20.

3.0 Detail

- 3.1 The Council's capital programme consists of many different projects covering both the General Fund and HRA.
- 3.2 General Fund projects are developed in line with strategies reported to policy committees and are funded through Section 106 developer contributions, General Fund contributions, grant income and capital receipts generated from asset sales.
- 3.3 HRA projects are mainly for refurbishment of council houses, disabled adaptations to council housing and new build and are funded by HRA reserves plus grant income.
- 3.4 The capital budget for 2019/20 was approved in February 2019 and was updated following the outturn for 2018/19 to reflect the carry forward of income and expenditure for incomplete projects. Additional budgets have also been included on the HRA for property acquisitions reported separately.

- 3.5 Progress during the year on capital projects and the total financing of all of the projects is summarised in the following tables.

Capital Spending 2019/20	Approved Budget £	B/fwd 2018/19 £	Updated Budget 2019/20 £	Spend to-date £
Council House Capital Works	2,788,000	0	2,788,000	1,636,315
Council House Disabled Adaptations	300,000	0	300,000	224,476
New Build and Acquisition Schemes	1,410,000	237,367	1,647,367	1,345,831
Total HRA	4,498,000	237,367	4,735,367	3,206,622
Private Sector Housing Works	792,375	1,151,017	1,943,392	372,131
Environmental and Heritage Schemes	0	42,007	42,007	59,472
Swadlincote Woodlands Nature Reserve	0	37,000	37,000	33,388
Community Partnership Scheme	0	239,005	239,005	113,310
Eureka Park	0	0	0	12,797
Melbourne Sports Park	400,000	33,799	433,799	13,998
CCTV Rosliston	0	0	0	13,580
Flail Mower, Rosliston	0	0	0	10,750
Vehicle Replacements	517,000	0	517,000	354,029
Town Centre Regeneration	100,000	0	100,000	21,694
Sale of Land and Property	0	0	0	61,402
Community Centres / Pavilion	0	0	0	30,582
IT Strategy	210,000	461,842	671,842	298,380
Property Maintenance and Refurbishment	130,000	130,000	260,000	65,684
Total General Fund	2,149,375	2,094,670	4,244,045	1,461,197
Total Council Expenditure	6,647,375	2,332,037	8,979,412	4,667,819

Capital Financing 2019/20	Approved Budget £	B/fwd 2018/19 £	Updated Budget 2019/20 £
HRA Revenue Contribution	3,088,000	0	3,088,000
General Fund Revenue Contribution	740,000	272,804	1,012,804
Earmarked/Specific Reserves	1,274,000	606,279	1,880,279
Capital Receipts Reserve	653,000	192,367	845,367
Grant Funding	892,375	1,260,587	2,152,962
Total Funding	6,647,375	2,332,037	8,979,412

HRA Capital

- 3.6 Major refurbishment works to Council housing was delayed initially due to the delay in appointing a new contractor, but works have progressed well during the year. An underspend was expected against the budget and this will be carried forward into 2020/21.
- 3.7 Disabled adaptations of Council housing are lower than budget due to the delay appointing a contractor. The underspend will be carried forward to enable additional works in 2020/21.

- 3.8 The budget for new build and acquisition schemes consists of the construction of properties at Lullington Road, Overseal and acquisition of properties in Repton, Newhall and Aston.
- 3.9 Seven properties were acquired in Aston and are all occupied.
- 3.10 The properties in Repton and Newhall are due to be transferred to the Council during 2020/21 therefore the budget for 2019/20 only includes a deposit at this stage.
- 3.11 New build properties in Overseal are now complete and are fully let. The budget carried forward from 2018/19 is specific for these dwellings. Due to the delay with completion, additional costs have been incurred and the project has exceeded the carried forward budget by £89k. The additional cost can be covered by the capital receipts reserve and there are specific revenue budgets within the HRA for professional fees in relation to new build that can be utilised if necessary.

General Fund Capital

Private Sector Housing Works

- 3.12 There are several projects included within this area, one of which is Disabled Facility Grants (DFG). Expenditure on DFG has been consistently lower than the allocated budget of £400k for several years. Budget carry forwards are for approved projects, some of which have started during 2019/20.
- 3.13 A list of new projects was reported to this Committee in November and this report gave a three-year projection on expected spend. A number of these projects are not expected to be rolled out until 2020/21 due to project planning and recruitment and therefore a large carry forward will be made at the end of this financial year.

Environmental and Heritage Schemes

- 3.14 This relates to the Swadlincote Town Centre Scheme following the award of funding in 2016/17.
- 3.15 A small budget was carried forward from 2018/19 and although this budget is currently overspent, most of the expenditure incurred has been claimed from the Heritage Lottery Fund (HLF) with the remainder being funded from a specific earmarked reserve.

Leisure and Community Schemes

- 3.16 The Community Partnership Scheme has all the funding committed to specific projects, but the funding is still to be drawn down from the Council.
- 3.17 Match funding has been secured for the Swadlincote Woodlands Nature Reserve and the project has been completed during 2019/20.
- 3.18 The capital element of the Eureka Park project is now complete and final funding has been drawn down from S106.
- 3.19 Melbourne Sports Park drainage works are still in the early stages. A tender for works has been completed and an award to the appointed contractor is under review.

- 3.20 CCTV at Rosliston has been installed due to security concerns after a break in at the site. A flail mower has also been purchased for Rosliston. Both are to be financed through an earmarked reserve set up specifically for works at Rosliston.

Vehicle Replacements

- 3.21 The scheduled replacements in 2019/20 are for new road sweepers, additional vans for Grounds Maintenance, a refuse freighter and a bulky waste vehicle. The road sweepers and refuse freighter have now been purchased with the remaining vehicles scheduled for delivery in 2020/21.

Asset Disposals and Refurbishment

- 3.22 Costs associated with the sale of land at Oversetts Road will be funded by the capital receipt once received (£7k) and costs associated with the sale of the former Depot site (£38k) are covered by the deposit of £45k already received. Disposal costs in relation to transfer of Overseal Public Toilets of £16k is included above but was previously approved by this Committee to be funded through the General Fund.
- 3.23 A General Fund contribution of £130k is set-aside each year to fund refurbishment and maintenance of Public Buildings. Due to a tender exercise no works were scheduled during 2018/19. A contractor has now been appointed and a works programme will run alongside scheduled capital works on HRA Council dwellings. To-date works on Rink Drive have been undertaken.
- 3.24 Costs have been incurred in year on the new Community Centre at Stenson (£2k), Walton Village Hall (£2k) and the proposed extension at Midway Community Centre (£5k). Professional fees have been incurred for the proposed Pavilion at Oversetts Road. The costs of the fees can be covered from the capital receipt generated in year from sale of the land off Oversetts Road.

IT Strategy

- 3.25 Following approval of an IT Strategy, sums are being set-aside annually to fund new equipment and software.
- 3.26 A number of separate tender exercises have been undertaken during 2018/19 and the early part of 2019/20 and an equipment replacement programme is currently being rolled out across the Council.
- 3.27 The allocated budget is not expected to be spent in year and will be phased across a longer period. Any underspend will be carried forward into future years.

Capital Reserves

- 3.28 The capital reserve balances for the General Fund and HRA as at the 31st March 2020 are listed below. The Council's reserve position is still not yet completed for 2019/20. Therefore, balances as quoted below are subject to change.

	£
New Build and Acquisition Reserve	2,150,639
Major Repairs Reserve	3,454,260
Debt Repayment Reserve	6,470,000
HRA Capital Reserves	12,074,899
Capital Receipts Reserve	1,459,825
General Fund Capital Reserves	1,459,825
Total Capital Reserves	<u>13,534,724</u>

HRA Capital Reserves

3.29 The New Build and Acquisition Reserve is topped up by all retained receipts of sales of Council houses under Right to Buy.

3.30 Right to Buy sales have totalled 16 as at 31st March 2020 and £695,949 is included in the New Build and Acquisition Reserve above and is summarised in the following table.

	Sales £	Gross Receipts £	Less Pooled £	Retained	
				£	%
Quarter 1	4	206,640	-77,900	128,740	62%
Quarter 2	6	305,513	-77,900	227,613	75%
Quarter 3	3	233,315	-77,900	155,415	67%
Quarter 3	3	262,081	-77,900	184,181	70%
Total	16	1,007,549	-311,599	695,949	69%

3.31 One of the dwellings sold in February is part of the Council's new build development in Linton, built in 2016/17.

3.32 Any underspends on the HRA capital programme are transferred to the Major Repairs Reserve at year-end and the balance is to be utilised in future years as the new schedule for capital works is implemented. A draw down will not be required in year but capital adjustments are still required therefore this reserve will change once the year-end process is complete.

3.33 Currently the HRA has debt of £57.4m to be repaid to the Public Works Loan Board at specific dates over a 20-year period because of self-financing.

3.34 The profile of debt repayment is listed in the following table.

Date due	£
28-Mar-22	10,000,000
28-Mar-24	10,000,000
28-Mar-27	10,000,000
28-Mar-32	10,000,000
28-Mar-37	10,000,000
28-Mar-42	7,423,000
	<u>57,423,000</u>

3.35 Sums are being set-aside each year for the scheduled repayments and are included in the HRA MTFP.

General Fund Capital Reserves

3.36 The Capital Receipts Reserve is made up of asset sales in recent years and there are a few remaining projects to be funded from the balance as listed in the table. Included within the total reserve is the overage payment received from Chestnut Avenue, Midway.

3.37 A sum of £820,162 has been received during 2019/20 to build a community facility at Oversetts Road. £570,000 of this receipt was negotiated under a S106 agreement and therefore is not included within the Capital Receipts reserve. The remaining balance has been separated below as it is to be utilised for this specific project.

	£ 2019/20	£ 2020/21	£ 2021/22	£ 2022/23	£ 2023/24	£ 2024/25
General Capital Receipts B/fwd	334,736	497,150	1,814,418	2,611,068	2,611,068	2,611,068
Receipts in Year:						
Land Sale Bridge Street, Castle Gresley	15,552	0	0	0	0	0
Additional Receipt for Land at Staley Close	2,500					
Sale of former Depot Site	45,000	855,000	0	0	0	0
Land Sale Oversetts Road	167,017	705,000	796,650	0	0	0
Specific Projects:						
Strategic Housing Market Assessment	-15,878	0	0	0	0	-50,000
Private Sector Stock Condition Survey	0	-60,000	0	0	0	0
Empty Property Grants	-4,000	-38,000	0	0	0	0
Repairs to Village Halls	-2,375	-6,700	0	0	0	0
Public Buildings Planned Maintenance	0	-58,032	0	0	0	0
Costs of Land Sales	-45,402	-80,000	0	0	0	0
Remaining Balance	497,150	1,814,418	2,611,068	2,611,068	2,611,068	2,561,068
Specific Receipts for Specific Projects						
B/fwd Balance	0	962,675	962,675	962,675	962,675	962,675
Overage Payment	738,599	0	0	0	0	0
Oversetts Project Payment	250,162	0	0	0	0	0
Midway Community Centre Costs	-4,587	0	0	0	0	0
Oversetts Professional Fees	-21,499	0	0	0	0	0
C/fwd Balance	962,675	962,675	962,675	962,675	962,675	962,675
Total Capital Receipts Reserve Balance	1,459,825	2,777,093	3,573,743	3,573,743	3,573,743	3,523,743

3.38 The Strategic Market Housing Assessment and Private Sector Stock Condition Survey are both scheduled to recur every five years.

4.0 Financial Implications

4.1 Detailed in the report.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Impact

6.1 None directly.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	2 nd JULY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	Vicki Summerfield (01283 595939) victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2019-20/Jul
SUBJECT:	TREASURY MANAGEMENT UPDATE 2019/20	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendation

- 1.1 That the latest Treasury Management Update for quarter 4 2019/20 as detailed in **Appendix 1** is considered and approved.
- 1.2 That the updated Counterparty List for investments and bank deposits as detailed in **Appendix 2** is approved.

2.0 Purpose of the Report

- 2.1 To provide an update on the Council's treasury management activities for the fourth quarter of 2019/20.
- 2.2 To provide an update on external economic factors and how these may affect treasury management in the future.

3.0 Financial Implications

- 3.1 As detailed in the report

4.0 Corporate Implications

- 4.1 None directly

5.0 Community Implications

- 5.1 None directly

6.0 Background Papers

- 6.1 Treasury Management in the Public Services Code of Practice
(CIPFA Publication - December 2017)



South Derbyshire District Council

Treasury Management Report Q4 2019/20

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2019/20 was approved at a meeting of the Authority on 14th February 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 17th January 2019.

The detail that follows is in accordance with the CIPFA Code and is written with support from the Council's Treasury Advisor, Arlingclose.

External Context

Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced)

remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

Local Context

On 31st March 2019, the Authority had net borrowing of £19.45m arising from its revenue and capital income and expenditure. This fell to £7.69m by the end of the quarter. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in below.

Capital Financing Requirement (CFR)

	31.3.19 Actual £'000	31.03.20 Actual £,000
<u>Housing Revenue Account</u>		
Debt Outstanding	57,423	57,423
Capital Financing Requirement (CFR)	61,584	61,584
Statutory Debt Cap	66,853	66,853
Borrowing Capacity (Cap less Debt Outstanding)	9,430	9,430
<u>General Fund</u>		
Debt Outstanding	0	0
Capital Financing Requirement (CFR)	5,653	5,653
Borrowing Capacity (Cap less Debt Outstanding)	5,653	5,653
Total Capital Financing Requirement (CFR)	67,237	67,237

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The overall treasury management position at 31st March 2020 and the change during the year is shown below.

Treasury Management Summary

	31.3.19 Balance £m	Movement £m	31.03.20 Balance £m	Average Rate %
Long-term borrowing:				
Fixed	47,423	0	47,423	3.19%
Variable	10,000	0	10,000	0.88%
Short-term borrowing	28	0	28	0.00%
Total borrowing	57,451	0	57,451	
Long-term investments	2,000	0	4,000	4.57%
Short-term investments	33,500	18,871	43,371	0.81%
Cash and cash equivalents	2,500	355	2,388	0.41%
Total investments	38,000	19,226	49,759	
Net borrowing	19,451	19,226	7,692	

Borrowing update

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are currently available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields. The value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives

of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closes on 4th June 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22.

Borrowing Activity

At 31st March 2020 the Authority held £57.4m of loans. These loans were taken out by the Authority in 2011/12 for the purpose of HRA self-financing. The principal element of these loans is repayable in full on maturity, with interest being paid each March and September.

The short-term borrowing of £28k relates to deposits received from two Parish Councils within the District. These loans can be recalled on immediate notice. Interest is calculated at the Bank of England Base Rate, less 1%. No interest is currently being paid due to the Base Rate being less than 1%.

The following table shows the maturity dates of the loans and rate of interest payable.

Borrowing Position

Loan Profile	Type	Value £'000	Rate %	Maturity
Public Works Loan Board	Variable	10,000	0.92	2021/22
Public Works Loan Board	Fixed	10,000	2.70	2023/24
Public Works Loan Board	Fixed	10,000	3.01	2026/27
Public Works Loan Board	Fixed	10,000	3.30	2031/32
Public Works Loan Board	Fixed	10,000	3.44	2036/37
Public Works Loan Board	Fixed	7,423	3.50	2041/42
Total Long-term borrowing		57,423		
Short-term Parish Council Loans		28	0.00	
Total borrowing		57,451		

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the quarter, the Authority's investment balance ranged between £59 and £50m due to timing differences between income and expenditure. The investment position during the quarter is shown in the table below.

Treasury Investment Position

	31.03.19 Balance £'000	Q4 2020 Movement £'000	31.03.20 Balance £'000	31.03.20 Rate of Return %
Banks (unsecured)	2,500	(112)	2,388	0.41
Local Authorities	25,000	15,350	40,350	0.91
Money Market Funds	8,500	(5,000)	3,000	0.57
CCLA Property Fund	2,000	2,000	4,000	4.57
Total investments	38,000	12,238	49,738	

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority has undertaken greater detailed cash flow forecasting which has enabled it to enter into longer-term deposits with other Local Authorities, therefore securing a higher rate of return.

The Authority participates in the Arlingclose quarterly investment benchmarking exercises. This enables us to measure our investment portfolio against other similar Local Authorities. The progression of risk and return are shown in the extracts from Arlingclose's quarterly benchmarking in the table below at the end of quarter 4.

Investment Benchmarking – Treasury investments managed in-house (excludes CCLA)

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	3.78	AA-	12%	126	0.57
Similar LAs	3.95	AA-	59%	53	-0.79
All LAs	4.03	AA-	56%	20	-0.34

In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced

paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.

Credit Score: This is a value-weighted average score calculated by weighting the credit score of each investment by its value. A higher number indicates a higher risk.

Credit Rating: This is based on the long-term rating assigned to each institution in the portfolio, by ratings agencies Fitch, Moody's and Standard & Poor's. Ratings rang from AAA to D, and can be modified by +/-

Bail-in Exposure: The adoption of a bail-in regime for failed banks results in a potential increased risk of loss of funds for local authority should this need to be implemented. Therefore a lower exposure to bail-in investments reduces this risk.

Weighted Average Maturity: This is an indicator of the average duration of the internally-managed investments. Similar authorities have a similar profile to South Derbyshire; other larger authorities tend to hold a greater proportion of fund in money markets than fixed-term deposits with other LAs, due to their cash flow requirements.

Rate of Return: This is the average rate received on internally managed investments. At the quarter-end we had a few lower rate investments that were secured prior to the base rate rise in August 2018, which reduced the average rate of return compared to other authorities.

The Authority deposited £1m in the CCLA Property Fund on 28th September 2017; the Authority subsequently deposited a further £1m in the fund on 28th August 2018. Following a review on the performance of the CCLA Property Fund an additional £2m investment was approved by Members to purchase 618,334 units at an offer price of 323.45p per unit on the 31st October 2019.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. The mid-market value of the fund as at the 31st March 2020 is £3,680,720 and the bid market value is £3,623,594. This reinforces the notion that the Fund should only be considered for long-term investments.

The performance of the investment over the last quarter is shown in the table below. Although past performance is no guarantee of future returns, the movement in the bid (selling) price so far shows how the value of the investment is moving closer to the original purchase price. This reinforces the notion that the Fund should only be considered for long-term investments.

CCLA Property Fund Performance

		2018/19	2019/20
		Q4	Q4
Dividend Received	£	20,736	40,484
Annual Equivalent Interest Rate	%	4.26	4.57%
Bid (Selling) Price	pence/unit	301.95	291.15

Covid-19 Impact on performance - At the start of the year, consensus expectations were that property sector returns in 2020 would be broadly flat. The contribution from income would continue to be important – property is the highest yielding of the major asset classes but this positive would be offset by a decline in capital values.

The immediate impact of Covid-19 amplified pressures already existing for valuers. Dealing volumes, already depressed, fell further, leaving valuers short of data at a time when valuations were clearly changing. The result was that the fund valuations they provided were ‘qualified’; that is issued but without the expected confidence in their accuracy.

The CCLA funds position was to suspend dealing in funds. This is expected to remain necessary for a few more months until confidence that the valuations truly reflect market conditions.

Looking forward, CCLA funds expect a period of economic recovery next year and for this to be reflected in positive returns from the sector; the recession has been a shock to values, but it should be a passing one. In particular, the excess supply and distressed selling that undermined values in the previous recession isn’t present today.

Performance Indicators

The main indicator the Council uses to measure its return on short-term investments to average over the year, is the Average 7-Day Money Market Rate. This is a standard measure of performance. Performance for the first three quarters is shown below.

	As at 31.03.19	As at 31.03.20
Average 7-Day Money Market Rate (Target)	0.65%	42%
Average Interest Rate Achieved on Short Term Deposits	0.66%	54%

Compliance

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during quarter 4 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Compliance with specific investment limits is demonstrated in the table below:

Investment Limits

	Maximum Investment during Q3 £m	Maximum Invested per Counterparty £m	Limit	Maximum Term	Complied
Debt Management Office	£5m	£5m	£20m in total	364 days	✓
Other Local Authorities	£37.8m	£5m	£5m per Authority	364 days	✓
Money Market funds	£10m	£2m	£10m total, £2m per fund	60 days	✓
CCLA Property Fund	£4m	£4m	£4m	Indefinite period	✓
Named Counterparties (HSBC/Lloyds/BOS/Close Bros/Santander)	£3.46m	£1.96m	£2m per Bank	35 days	✓
Named Counterparties (Barclays/Goldman Sachs/NatWest/RBS)	£3.7m	£2.m	£2m per Bank	35 days	✓
Named Counterparties (Nationwide/Coventry)	0	0	5% of total deposits	35 days	✓
Named Counterparties (Leeds Building Society)	0	0	5% of total deposits	35 days	✓
Foreign Counterparties	0	0	AAA rated - £1m per Bank	35 days	✓
Independent Building Societies	0	0	£1m per Society	35 days	✓

Arlingclose reduced the limits in UK banks and Building Societies to 35 days from 27th March 2020 until this point we have them listed at 100 days and 6 months on our Counterparty list.

Other

IFRS 16: CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

COUNTERPARTY LIST 2019/20
(As at 31st March 2020)

Institution	Limit	Maximum Term
<u>Specified Investments</u>		
<ul style="list-style-type: none"> UK Debt Management Office (DMO) 	£20m	364 Days
<ul style="list-style-type: none"> Local, Police, Fire and Parish Authorities 	£5m with any one Authority	364 Days
<u>Non Specified Investments</u>		
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> CCLA LAMIT Property Fund 	£4m	Indefinite period, subject to quarterly review
<ul style="list-style-type: none"> Money Market Funds 	£10m in total and £2m with any one Fund	60 days
<ul style="list-style-type: none"> HSBC Lloyds Bank Plc Bank of Scotland Standard Chartered Bank Close Brothers Santander UK 	£2m with any one Bank	35 days
<ul style="list-style-type: none"> Barclays Bank NatWest Bank Royal Bank of Scotland Ulster Bank Ltd Goldman Sachs International 	£2m with any one Bank	35 days
<ul style="list-style-type: none"> Nationwide Building Society Coventry Building Society 	5% of total deposits	35 days
<ul style="list-style-type: none"> Leeds Building Society 	5% of total deposits	35 days
<i>Foreign Counterparties</i>		
<ul style="list-style-type: none"> AAA rated institutions (<i>subject to separate approval by the Section 151 Officer</i>) 	£1m with any one Bank	1 month
<i>Independent Building Societies</i>		
<ul style="list-style-type: none"> <i>subject to separate approval by the Section 151 Officer</i> 	£1m with any one society	35 days

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	2nd JULY 2020	CATEGORY: (See Notes) DELEGATED or RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR SERVICE DELIVERY	OPEN
MEMBERS' CONTACT POINT:	PAUL WHITTINGHAM. Paul.whittingham@southderbys.gov.uk	DOC:
SUBJECT:	HOMELESSNESS / ROUGH SLEEPING	
WARD(S) AFFECTED:	ALL WHERE THE REPORT AFFECTS THE DISTRICT AS A WHOLE <u>OR</u> SPECIFIC WARDS	TERMS OF REFERENCE: (See Notes)

1.0 Recommendations

- 1.1 That the Committee retrospectively approves the granting of permission to make a "block booking" of the Three Queens Hotel to use as temporary accommodation for homeless households affected by the Covid19 outbreak. This is following the Chief Executive's prior approval under his delegated authority during the suspension of Council and Committee meetings due to the pandemic.
- 1.2 That the Committee retrospectively notes that the commissioning of this service was subject to an exemption from the Contract Procedure Rules, under Sections 4 and 5
- 1.3 That following approval by the Chief Executive and approval of the Housing and Community Services Committee, the financial elements including the required exemption from Contract Procedure Rules are subject to further ratification at the Finance and Management Committee.
- 1.2 That the Committee approves a contribution of £10,000 from existing Homelessness budgets towards the continued support for households that have been accommodated in temporary accommodation.

2.0 Purpose of the Report

- 2.1 This report and the report attached at Appendix A outlines the Councils initial response to rough sleepers and other households made homeless during the Covid19 outbreak. The report will also be presented to the Housing and Community Services Committee on the 7th July 2020.

- 2.2 The report also seeks approval to confirm the Council's commitment to the Derbyshire-wide approach to supporting those households placed in temporary accommodation during the outbreak.

3.0 Executive Summary

- 3.1 After the outbreak of Covid-19, the Government issued a call to local authorities to get "everyone in". This primarily referred to people who are sleeping rough. The Council does not usually have a statutory duty to accommodate everyone when homeless, so some people can be without shelter under normal circumstances. This call, fronted by Dame Louise Casey, placed responsibility on local councils to house more people than usual and incur the higher costs associated with this, principally to cover bed and breakfast costs. It also included a directive that communal night-shelters and street encampments be closed, as communal settings are a high risk for spreading coronavirus. The Derby and Chesterfield night shelters closed during the week beginning 16th March, placing additional demands on local councils where these were operating.
- 3.2 Several options were pursued unsuccessfully with other providers and the Council reached its own agreement with the Three Queens Hotel in Burton on Trent for the provision of meals and accommodation. The report providing details of this arrangement was approved by the Chief Executive on 29th May under his delegated powers and is attached at Appendix A.
- 3.3 As the "Lockdown" arrangements have eased so the focus of local councils who provide services to homeless households has changed towards making sure that support and accommodation continues to be available for homeless households.
- 3.4 A Derbyshire-wide Recovery Plan has been agreed with all other local authorities in Derbyshire and funding of £284,000 has been allocated across the County. All Derbyshire District and Borough Councils have been asked to contribute to the delivery of the plan with the Council's contribution of £10,000 based on the relatively low numbers of rough sleepers in the area.

4.0 Detail

- 4.1 On March 23rd all Councils in England were ordered to bring in everyone who was rough sleeping, and subsequently everyone who became homeless during the lock down. Based on Ministry of Housing, Communities and Local Government (MHCLG) figures, local authorities have since accommodated up to 15,000 individuals in hotel and Bed and Breakfast establishments. In Derbyshire, councils have accommodated 80 people so far. At the start of the crisis local councils and Derbyshire County Council came together to collaborate on the temporary block booking of hotels to create much needed extra housing capacity to shield a large portion of the homeless and rough sleeping cohort.
- 4.2 This jointly funded initiative, has proven to be a major success and several agencies and organisations including homeless and rough sleeping outreach services, drug and alcohol teams, NHS teams, Police and council housing staff have worked together to support some of the most vulnerable people in society through the worst times of the Covid-19 crisis.

- 4.3 However, the existing provision in South Derbyshire will end on the 24th June. The hotel provision, although effective, cannot be retained indefinitely, although will continue to be used in emergencies. The people bought in, need an offer of support to help them through the next phase. Partner agencies have agreed a Recovery Plan to put the necessary resources in place to support and re-home as many people as possible into longer term accommodation.
- 4.4 Without a boost in support services and an increased supply in accommodation, most of the people accommodated in hotels, guest houses and B&B's will have nowhere to go, and current support services will be unable to provide the care and expertise required for the amount of people being released onto the streets. There is therefore an opportunity to build on the collaborative approach nurtured over the last few months.
- 4.5 Through the experience and current service delivery of key partners including P3 and Pathways of Chesterfield it is proposed to deliver an intensive and wrap-around support service to a cohort of approximately 60 (to be confirmed) individuals in Derbyshire who have been placed in temporary accommodation by the local authorities during the Covid-19 pandemic. These individuals are experiencing overlapping and challenging issues such as offending, drug and alcohol misuse and poor mental health. Due to their challenging needs South Derbyshire has accommodated five clients who would not normally have been accommodated in one hotel and other B&Bs.
- 4.6 If funding is secured to establish this Service it will be delivered by P&F in South Derbyshire, Erewash and Amber Valley. Pathways will focus support in Chesterfield, North East Derbyshire and Bolsover. Currently P3 delivers the Derbyshire Rough Sleeper Service. This Service will work closely with the Derbyshire Rough Sleeping Outreach Team (DOT) as it is currently engaged with this group of people, learning from their involvement, experience and local knowledge and ensuring a smooth transition for the individual from service to service. Data, knowledge and experience from the DOT will be used to undertake an audit of need, the level of support required and to help identify gaps in current service provision. This will in turn inform delivery using the Link-worker model.
- 4.7 The cohort for this Service is a complex group for whom existing provision will not sufficiently meet their needs. The existing services are unsuitable for their level of need and/or circumstances. There is also the acknowledgement that existing services that may be able to meet the needs of this group are already at capacity and, in many cases, operating waiting lists, thus creating a barrier to timely access.
- 4.8 Derbyshire Councils, P3 and Pathways of Chesterfield have developed a partnership model, drawing on the vast experience of supporting people who are experiencing homelessness, utilising current infrastructure across Derbyshire and building on the successful track record, working in partnership to support the people who need housing and support.
- 4.9 The proposal is that P3 will be the lead contractor for this project and will subcontract to Pathways of Chesterfield. P3 currently fulfil the country-wide Rough Sleeper Initiative contract which is funded by MHCLG and in partnership with Pathways of Chesterfield it has provided an exceptional level of commitment through the crisis. P3 has supported the most vulnerable and challenging clients placed in the hotels across the county to make sure people are safe. They have found accommodation during the difficult period of the lock down for people made homeless and they have established key partnerships with [Public Health](#), NHS and drug and alcohol services.

- 4.10 The proposal seeks to operate a new 12-month wrap around service at a cost of £260,000, funded from contributions from partner councils, other public bodies and existing grants already received. Working in partnership will ensure that each council can secure support for the numbers of people from their area. South Derbyshire has five households in the current hotel and B&B provision and so it is proposed that a contribution of £10,000 is made available by the Council to support the scheme. This contribution can be met from the Council's existing Homelessness Grant provision.
- 4.11 Each person will be allocated a Link Worker who will provide consistent support for as long as required (over the next 12 months) and will act as a trusted individual and single point of contact for both the person and any other individuals or services involved with them, coordinating support across multiple services.
- 4.12 The cost of six Linkworkers and a Senior Linkworker is £284,000 for 12 months (Including the re purposing of £60,000 exiting grant funding). The total cost is inclusive of all on-costs such as pension, national insurance, management, corporate support (IT, finance, HR) Training, IT equipment and travel. This cost will be shared across Derbyshire authorities on the basis of the forecast number of cases for each local authority.
- 4.13 Advice from the Local Government Association (LGA) in the recently published 'Local Authority Rough Sleeper Accommodation Guidance' has highlighted the need for councils to act quickly to source services during the Covid19 crisis. In recognition of the urgent need to move quickly to deal with the Covid-19 crisis, the government has issued Procurement Policy Notes PPN01/20 and PPN 02/20 in response. Chesterfield Borough Council is leading the project with support from colleagues across Derbyshire and will manage the procurement arrangements.
- 4.14 The LGA report has also highlighted the long established partnership work within Derbyshire and the 'Everyone In – Derbyshire Response', "Collective action has been rapid and the multiagency collaboration very strong, something achieved by working together over many years."

5.0 Financial Implications

- 5.1 The Government have provided £1650.00 in additional funding towards the Council's additional costs for accommodating rough sleepers. Additional funding has also been sought from Derbyshire County Council.
- 5.2 The proposed contribution of £10,000 from the Council to the Recovery Plan can be met from existing Homelessness budgets.

6.0 Corporate Implications

Employment Implications

- 6.1 There are no employment implications for the Council created by this report.

Legal Implications

- 6.2 There are no direct legal implications for the Council created by this report.

Corporate Plan Implications

- 6.3 This report directly contributes to achieving the Council's aims regarding: Supporting and safeguarding the most vulnerable With partners encourage independent living and keep residents healthy and happy in their homes. Promote health and wellbeing across the District.

Risk Impact

- 6.4 This report contributes to managing the Corporate risk: "Voluntary and Community Sector - a reduction in resources for partners who deliver services with or on behalf of the Council" by maintaining existing community sector resources at a time when demand for this resources has increased.

7.0 Community Impact

Consultation

- 7.1 There has been on going consultation with statutory and voluntary agencies regarding the ongoing provision of Homelessness services,

Equality and Diversity Impact

- 7.2 These services continue to be accessible to all members of the community and offer additional support to those with Protected Characteristics as identified within the Equality Act 2010.

Social Value Impact

- 7.3 The contents of this report directly support the aims of the Council's Sustainable Community Strategy by: "Supporting families, particularly those who are most vulnerable, leads to better outcomes for children and young people."

Environmental Sustainability

- 7.4 There is no direct environmental impact identified of the activities within this report.

8.0 Conclusions

- 8.1 The Council and its partners across the County have been successful thus far in accommodating homeless households and rough sleepers during the Covid-19 outbreak
- 8.2 There is a clear need for on going support for these households which has been acknowledged by Government and is supported through additional funding
- 8.3 The Recovery Plan will assist the Council in continuing to discharge its legal duties to homeless households and tough sleepers during the Covid-19 outbreak.

9.0 Background Papers

Notes:

- * Category – Please see the Committee Terms Of Reference in [Responsibility for Functions - Committees](#). This shows which committee is responsible for each function and whether it has delegated authority to make a decision, or needs to refer it elsewhere with a recommendation.
- ** Open/Exempt - All reports should be considered in the open section of the meeting, unless it is likely that exempt information would be disclosed. Please see the [Access to Information Procedure Rules](#) for more guidance.
- *** Committee Terms Of Reference in [Responsibility for Functions - Committees](#).

REPORT TO:	Chief Executive	AGENDA ITEM:
DATE OF MEETING:		CATEGORY: (See Notes) DELEGATED or RECOMMENDED
REPORT FROM:	Head of Housing	
MEMBERS' CONTACT POINT:	Paul Whittingham	DOC:
SUBJECT:	Temporary Accommodation for Homeless Households	
WARD(S) AFFECTED:		TERMS OF REFERENCE: (See Notes)

1. **Recommendations** The following recommendations are to be made under the Chief Executive's delegated authority during the current suspension of Council and Committee meetings. These recommendations will be reported to the next available Housing and Community Services Committee retrospectively.

1.1. That the Chief Executive, under his delegated powers, approves the appointment of the Three Queens Hotel in Burton on Trent to deliver Bed and Breakfast services, for homeless households from May 2020.

1.2 That the commissioning of this service is subject to an exemption from the Contract Procedure Rules, under Sections 4 and 5

1.3 That following approval by the Chief Executive and a report to the next Housing and Community Services Committee, the financial elements including the required exemption from Contract Procedure Rules are subject to further ratification at the Finance and Management Committee.

2.0 Purpose of the Report

2.1 To seek the Chief Executive's approval for the procurement of hotel accommodation and ancillary services for the provision of emergency and temporary accommodation, to discharge the Council's duties to homeless households under the Homeless Reduction Act 2018 and subsequent regulations and guidance regarding Covid-19.

2.2 To enable an exemption from the Contract Procedure Rules due to the fact that this is the only provider who has been able to agree the provision of five units of accommodation within the urgent timescale required.

3.0 Executive Summary

- 3.1 The supply of the usual temporary /emergency accommodation from hotels in the area has ceased due to recent government announcements related to Covid-19.
- 3.2 The demand for this accommodation is likely to increase as certain groups of prisoners and hospital patients are released in advance of usual release and discharge dates.
- 3.3 The Council is working with NOVUS, the Council's repairs' contractor, to provide temporary accommodation of a reasonable standard although this will be barely furnished and may not be accessible or appropriate for some clients or in an emergency.
- 3.4 The Council, in partnership with Erewash Borough Council, has been trying to negotiate a block booking of jointly accessible accommodation in or around the Erewash, Derby City and South Derbyshire areas.
- 3.5 Since those negotiations began a further offer of Bed and Breakfast accommodation has been received from the Three Queens Hotel in Burton on Trent. This offer is at a lower daily rate than the others and is also for a lower number of bedrooms.

4.0 Detail

4.1 Background

Since the outbreak of Covid-19, the Government has issued a call to local authorities to get "everyone in". This primarily refers to people who are sleeping rough. The Council does not usually have a statutory duty to accommodate everyone when homeless, so some people can be without shelter under normal circumstances. This call, fronted by Dame Louise Casey, therefore places responsibility on local councils to house more people than usual and incur the higher costs associated with this, principally to cover bed and breakfast costs. It also included a directive that communal night-shelters and street encampments be closed down, as communal settings are a high risk for spreading coronavirus. The Derby and Chesterfield night shelters closed around during the week beginning 16th March, placing additional demands on local councils where these were operating.

- 4.2 The numbers of people sleeping rough changes constantly. Some find accommodation for periods and 'sofa surf' while others remain outside. Some move around and are not easy to find. At the last count on one day in November using the government's 'snapshot' methodology, there were 38 rough sleepers counted county-wide, although none were in South Derbyshire
- 4.3 The need for self-contained accommodation extends to many households that the Council already has a responsibility to accommodate. The Council is working with NOVUS to bring into use self-contained and suitable accommodation for people who are self-isolating thereby reducing the possible transmission of the virus.
- 4.4 Another potential demand has arisen in relation to prison discharges. The Ministry of Justice's Homelessness Forum has been tasked with consulting local authorities in respect of government's consideration of granting early release to some prisoners; ostensibly to reduce pressure on the prison system and manage coronavirus outbreaks within custodial establishments more effectively. It wants to know how councils can help accommodate higher numbers of people released from custody for those falling into the early release cohort but for whom there is no accommodation. The request raises the possibility of funding for accommodation, however, without

any sense of numbers at this stage it is not possible to provide a clear response. Housing Services in Derbyshire has contacted the lead officer for the Forum to discuss possible ways forward. From these discussions it is understood that the early release programme will be staged with the first tranche of releases being for pregnant women. The Ministry of Justice has confirmed that some prisoners may be released without having an existing permanent address.

- 4.5 The Council has already been asked to assist with the provision of services for patients who are being discharged early by local hospitals. In the first instance this request is for the provision of telecare (Careline) services, although the need to provide accommodation cannot be ruled out.
- 4.6 At around the same time as the call for “everyone in” was being made, government instructed a range of businesses to close, although the government has now made an exception for hotels and B&Bs which provide accommodation for the homeless. However, one impact has been the loss of access to hotels used when the B&B accommodation procured by the Council is full: they do not have the demand to open just for this group of customers. Another issue has been the restricted access to out-of-hours emergency placements. This service, provided by the Council for other district councils in Derbyshire has had to resort to making placements in Stoke-on-Trent, outside of normal working hours.
- 4.7 The reduced access to accommodation extends to housing associations, as reduced numbers of repairs’ staff has led to properties not being repaired as quickly or as completely as usual. Government has also advised against house moves, except where necessary. The numbers in temporary accommodation will undoubtedly increase without this pool of people having permanent places to move on to.

4.8 Actions taken so far

The Housing Service has worked with NOVUS to secure a pipeline of accommodation into which some homeless families can be placed either permanently or temporarily. This is in line with Government guidance regarding the allocation of accommodation during the Covid-19 outbreak published on 27th April 2020. Only three other Housing providers in the South Derbyshire Homefinders partnership have been able to offer the prospect of providing temporary accommodation, none of which provides for emergency self-contained accommodation.

- 4.9 Safe, self-contained accommodation where people can self-isolate is needed. The generally poor health of this cohort of people means that it contains many people from vulnerable groups, some of which may not be receiving medical care or may not have been diagnosed with conditions due to difficulties registering with GPs. To this end, the Council has worked to identify accommodation that is both open and willing to accommodate the client groups outlined above. Despite several promising negotiations, relatively few hotels are willing and able to provide this service. Where they are, measures will need to be put in place to reassure owners that they will not incur financial losses through damage and that the safety of residents and staff will be at the forefront of arrangements.
- 4.10 The Council has been working with Erewash Borough Council in seeking a solution which brings with it the advantage of sharing the risk where rooms are paid for but not occupied. A comprehensive trawl of accommodation around the County has produced just a few workable solutions. All three Holiday Inns in Derbyshire have declined. Some negotiations ended once the hotel’s local management was overruled in light of government’s instructions for hotels to close. Proposals have been

received from the Risley Hall Hotel near Long Eaton and the Hallmark Hotel in Derby Whilst neither has been pursued further the costs are included in the tables below.

Table 1: estimated costs of all 17 rooms, Risley Hall

	Daily cost	Weekly cost	Twelve weeks	Sixteen weeks
Room only @ £65 per room	£1,105	£7,735	£92,850	£123,760
Food, 3x daily @ £15 pp	£255	£1,785	£21,420	£28,560
Security @ £11.83 ph, 9pm- 5am	£189.28	£1,324.96	£15,899.52	£21,199.36
*Total	£1,549	£10,845	£139,170	£173,519

Table 2: estimated costs of 20 rooms at the Hallmark Hotel

	Daily cost	Weekly cost	Twelve weeks	Sixteen weeks
Room only @ £65 per room	£1,300	£9,100	£109,200	£145,600
Food, 3x daily @ £30 pp	£600	£4,200	£50,400	£67,200
**Security @ £11.83 ph, 9pm- 5am	£189.28	£1,324.96	£15,899.52	£21,199.36
*Total	£2,089.28	£14,625	£175,500	£233,999

*rounded to nearest £

** assuming that we will be allowed to commission our own security

- 4.17 The costs and risks of both these proposals would have been shared by the Council and Erewash Borough council. However, all these schemes required the Council to either fully or partly fund eight or nine bedrooms. Whilst the demand for accommodation has increased markedly across Derbyshire since the start of the lockdown, the Council have only been required to make one emergency placement in Bed and Breakfast. This is testimony to the effective preventative work by the Housing Options team. This coupled with the supply of temporary accommodation within the Councils own housing stock suggests that a lesser number of units is required. Feedback from the Housing Options team suggests that a more local solution would be preferable.
- 4.18 The Graile Court Hotel in Burton on Trent has been asked to provide a proposal. This establishment also required the Council to make a booking for the entire hotel which is felt to be excessive and has not been pursued.
- 4.19 Three Queens Hotel in Burton on Trent has offered a block booking of five rooms for an initial eight week period at a flat rate of £45.00 per room per night (regardless of size or occupancy). Meals can be provided at £15.00 per person per day. Consequently, the costs of this service are:

- If no households are referred then our cost to retain the rooms will be :£9,800 (minimum cost)
- If all rooms are occupied by single people, the cost will be £16,800
- If all rooms are occupied by a family of five the cost will be £33,600 (maximum cost)

There are other household permutations that will fall between the minimum and maximum cost.

The hotel has reduced its meal cost to £15 pp, which reduces the non-eligible cost to be covered either by the Council or government funding. The Housing Benefit eligible room cost stays the same at £45.00 per night.

The daily rate for the accommodation and the provision of meals is lower than the other proposals received so far.

There is on site security and the hotel has been separated into different areas for differing client groups. (Single people, vulnerable females/mothers, families).

4.20 Funding

There are a range of funding options available to the Council to cover the cost of procuring this accommodation. The Council receives Homelessness Reduction Grant annually from central government. This amounts to £49,401 The Council receive Flexible Housing Support Grant from the government of £118,421. These funds are already allocated to the operating budgets of the Housing Options Team. The Council has been provisionally allocated £1,650 from the Coronavirus (COVID-19) Rough Sleeping Contingency Fund which it is in the process of requesting from government to support the additional costs of placing rough sleepers in B&B accommodation. This amount is based on the zero return in the annual rough sleeper survey.

Derbyshire County Council received a significantly larger sum and has agreed, in principle, to allocate £125,000 to the south of the County for this purpose. Written confirmation of this agreement is being sought from senior officers in the Council.

Some Housing Benefits subsidy will result from claims made by those using the rooms. The Housing Service is exploring with Housing Benefits whether the accommodation could be considered to be eligible for Intensive Housing Management to maximise the subsidy received. There may be additional costs to the Council in the event of excessive damage or cleaning.

4.21 Summary

In addition to the Council's usual statutory responsibility to house homeless households, it has been asked to house all rough sleepers immediately as part of the government's "everyone in" campaign. Funding has been provided for this purpose and subject to confirmation from Derbyshire County Council there should be sufficient funds to cover eight weeks accommodation, food and security, government has indicated that more funding may become available.

The Chief Executive is asked to give his agreement to the Housing Service procuring five rooms at the Three Queens hotel for eight weeks with an option to extend this, should funding be available. This decision, which would be subject to later ratification by both the Housing and Community Services and Finance and Management Committees and be made urgently to meet the Government's call,

without using up all of the Council's accommodation that it usually uses for homeless households.

5.0 Financial Implications

- 5.1 At this stage, no additional grants as a result of Covid-19 have been received by the Council in relation to Homelessness but the Government has made very clear statements about the provision of funding.
- 5.2 There is an earmarked reserve totalling £248,735 set-aside from underspends on the Homelessness Service in prior years and no drawdown is anticipated in 2019/20. This can be utilised towards the cost of providing hotel accommodation as detailed in the report.
- 5.3 It should be noted however that prior to the Covid-19 pandemic, one-off projects were being considered for prevention of homelessness in line with measures contained within the Homelessness Reduction Act. Utilising this reserve will reduce future progress with these projects and potentially create a risk of non-compliance with the Act.
- 5.4 If the Council can secure some of the allocated funding of £125,000 from DCC and the grants in relation to rough sleeping quoted in this report are received this will reduce any potential drawdown from reserves., the overall cost of this proposal can be contained without the need to drawdown from the reserve.

6.0 Corporate Implications

Employment Implications

- 6.1 No direct employment implications

Legal Implications

- 6.2 There are no direct legal implications of this report, as the Council will not be entering into a lease with the hotel.

Corporate Plan Implications

- 6.3 The contents of this report will directly contribute to: Supporting and safeguarding the most vulnerable, with partners encouraging independent living and keep residents healthy and happy in their homes. Promote health and wellbeing across the District.

Risk Impact

- 6.4 The contents of this report will assist in minimizing the risk of rough sleeping in the District

7.0 Community Impact

Consultation

- 7.1 No consultation with the community is required

8.0 Conclusions

- 8.1 That there is an urgent need for Bed and Breakfast accommodation for homeless households in light of the Covid-19.
- 8.2 That the proposal made by the Three Queens Hotel in Burton on Trent is the most appropriate for the Council in terms of ; cost, location and number of units available.

9.0 Background Papers

Notes:

- * Category – Please see the Committee Terms Of Reference in [Responsibility for Functions - Committees](#). This shows which committee is responsible for each function and whether it has delegated authority to make a decision or needs to refer it elsewhere with a recommendation.
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REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	2nd JULY 2020	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (EXT 5811) kevin.stackhouse@southderbyshire.gov.uk	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

1.1 That the Committee considers and approves the updated work programme.

2.0 Purpose of Report

2.1 The Committee is asked to consider the updated work programme.

3.0 Detail

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Finance and Management Committee – Next F&M Committee 2nd July 2020
Work Programme for the Municipal Year 2020/2021

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
Final Budget Proposals 2020/21 and Financial Plan to 2025	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Strategy 2020/21 and Prudential Indicators	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Proposed Local Council Tax Reduction Scheme 2020/21	13 February 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Capital Programme Budget to 2025	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Annual Report of the Section 151 Officer	13 February 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Corporate Performance Measures 2020 to 2024	13 February 2020	Fiona Pittam Head of Organisational Development Fiona.pittam@southderbyshire.gov.uk (01283 595735)

Transfer of Housing Repairs Calls into Customer Services	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Domestic Abuse Procedure - Make A Stand Campaign	13 February 2020	David Clamp Head of Organisational Development David.clamp@southderbyshire.gov.uk (01283 595729)
Social Media Strategy	13 February 2020	Fiona Pittam Head of Organisational Development Fiona.pittam@southderbyshire.gov.uk (01283 595735)
Structural Review: Cultural and Community Services (EXEMPT)	13 February 2020	Mary Bagley Head of Cultural and Community Services Mary.bagley@southderbyshire.gov.uk
Rosliston Forestry Centre - Procurement and Staffing Update (EXEMPT)	13 February 2020	Mary Bagley Head of Cultural and Community Services Mary.bagley@southderbyshire.gov.uk Malcolm Roseburgh Cultural Services Manager Malcolm.roseburgh@southderbyshire.gov.uk (01283 595774)
Review of Document Services Team (EXEMPT)	13 February 2020	Elizabeth Barton Head of Customer Services Elizabeth.barton@southderbyshire.gov.uk (01283 595779)
Debt Recovery and Debts submitted for Write-off (EXEMPT)	13 February 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)

Coronavirus (Covid-19) Financial Update	2 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Revenue Financial Monitoring 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Capital Financial Monitoring / Provisional Out-turn 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Update 2019/20	2 July 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Bed and Breakfast Accommodation	2 July 2020	Paul Whittingham (Housing Services Manager) Paul.whittingham@southderbyshire.gov.uk (01283595984)
Corporate Plan 2020 to 2024: Quarterly Performance Reports	9 July 2020	Fiona Pittam fiona.pittam@southderbsyhire.gov.uk (01283 595735)
Evaluation of Capital Projects	9 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Transformation and Business Change Programme 2020 to 2024	9 July 2020	Anthony Baxter (Head of Business Change and ICT) Anthony.baxter@southderbyshire.gov.uk (01283 595712)

Procurement Strategy 2020 to 2024	9 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Booking System	9 July 2020	Elizabeth Barton Head of Customer Services Elizabeth.barton@southderbyshire.gov.uk (01283 595779)
Sponsorship Policy and Guidance	9 July 2020	Nicola Lees nicola.lees@southderbsyhire.gov.uk (01233 595755)
Comments, Compliments, Complaints and FOI Requests	9 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Equalities Annual Report 2019/20	9 July 2020	Fiona Pittam fiona.pittam@southderbsyhire.gov.uk (01283 595735)
Coronavirus (Covid-19) Financial Update	30 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Budget Out-turn 2019/20	30 July 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Annual Report 2019/20	30 July 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)

Annual Value for Money Statement 2019/20	30 July 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Asset Management Plan 2020 to 2024	30 July 2020	Steve Baker (Head of Corporate Property) Steve.baker@southderbyshire.gov.uk (01283 595965)
Annual Health and Safety Report 2019/20	30 July 2020	David Clamp David.clamp@southderbsyhire.gov.uk (01283 595729)
Debt Recovery 2019/20	30 July 2020	Kevin / Elizabeth Barton Head of Customer Services Elizabeth.barton@southderbyshire.gov.uk (01283 595779)

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